

# NATION'S BUSINESS



February  
1940

The Foreman's Union Card • From Red Ink to Black • The Plight of  
Medium-sized Business • The Case for Investment Banking

# What will tomorrow's headlines be?



## *the Teletype will tell!*

BEHIND the headlines in your newspaper, reporting the swift drama of today's events, are thousands of words flashed to the news desk by Bell System Teletypewriter Service. And every word is transmitted instantly, *in writing*, exactly as dictated miles away.

Many other types of business find typing-by-wire vital to meeting today's demands. Its rapid, two-way connection provides a convenient channel for talking back and forth in type. Its auto-

matic reproduction of every word exchanged at all points of contact provides accurate records, with time-saving carbons for routing and filing.

By adapting teletypewriter service to your communication needs, you may effect surprising economies throughout your business. A Bell System representative will gladly explain the service to you. You can reach him easily through your local telephone office.



### BELL SYSTEM TELETYPEWRITER SERVICE





### FORD COMMERCIAL CAR FEATURES FOR 1940

Choice of two V-8 engines—85 and 60 hp ★ Five body types—Stake, Platform, Pick-Up, Panel, Sedan Delivery ★ Semi-Centrifugal clutch ★ Sealed-Beam Headlamps ★ Full torque-tube and radius-rod drive ★  $\frac{3}{4}$ -floating rear axle ★ Worm and roller steering ★ Finger-Tip Gearshift ★ Needle-roller-bearing universal joints ★ Straddle-mounted driving pinion—ring-gear thrust plate ★ Ford Engine and Parts Exchange Plan

A TOUCH of elegance—properly applied to your delivery units—can do worlds toward building the prestige of your business. This is the kind of smart styling embodied in the Ford V-8 Commercial Car for 1940. A trimness of line that reflects the modern spirit of service.

Modern in appearance, *modern in economy!* Look at the outstanding advantages of the Ford V-8 Commercial Car. V-type, eight-cylinder engines, for example. Your choice of either 85 or 60 hp—"85" for unusual performance combined with economy, "60" for low gasoline consumption. No other commercial car on the market offers the smooth

and steady power of a V-8 engine.

There are a number of important improvements in the Ford V-8 Commercial Car this year, plus a host of time-tested, time-proved Ford features. Add them together and you have "the outstanding commercial car for the money." See these units at your Ford dealer's. Study them feature by feature. Compare them with any other commercial car on the market, regardless of its price. Arrange for an actual "on-the-job" test and *know the difference before you spend another commercial car dollar.*

• Ford Motor Company, builders of Ford V-8 and Mercury Cars, Ford Trucks, Commercial Cars, Station Wagons and Transit Buses.

# FORD V-8 TRUCKS

## AND COMMERCIAL CARS





F-M DIESEL-GENERATOR WHICH REDUCED POWER  
COST \$530.57 PER MONTH FOR STANDARD  
PLATING WORKS, GOSHEN, IND.

# Low-cost Power...THEME SONG OF THE DIESEL

**I**N OBSCURE corners of the world and tucked neatly away in hundreds of manufacturing plants, Fairbanks-Morse Diesels are generating the low-cost power that keeps operating budgets out of the red.

Installation of its own power plant used to be a project in the life of any business. But not today. No special construction. No heavy expense. No constant attention by engine room crews. No costly fuels. No shutdowns to cripple pro-

duction schedules. Day in and day out, these dependable Diesels stay on their jobs, singing the song of the Diesel... "Low-cost power... low-cost power."

It is a theme song worth hearing, if you are interested in lower power costs. Write Fairbanks, Morse & Co., Department 120, 600 S. Michigan Avenue, Chicago, Illinois. Branches and service stations throughout the United States and Canada.

7684-DA40, 164

## FAIRBANKS-MORSE

DIESEL ENGINES  
PUMPS  
ELECTRICAL MACHINERY  
FAIRBANKS SCALES  
RAILROAD EQUIPMENT

WATER SYSTEMS  
WASHERS-IRONERS  
FARM EQUIPMENT  
STOKERS  
AIR CONDITIONERS



# Diesels





# What's so wonderful *about a box car?*

**M**AYBE you've stood on a station platform recently while a freight train thundered by and thought, "It looks just the same as it did when I was a boy."

And you're pretty much right. Freight cars haven't changed much in appearance.

But don't let that fool you.

The average freight car can carry 8 tons more freight than the car of twenty years ago. It travels at speeds which compare with passenger schedules of that earlier day. And freight trains do more than twice as much work as they did then.

Every freight car in America can be used on every railroad — and is equipped with standard parts so that

repairs can be made in any railroad shop — or by emergency crews anywhere.

That surprise you? You haven't heard anything yet.

The real wonder of these freight cars is what they do *en masse*.

There are some 1,700,000 of them in operation — and the railroads know the exact location of every one, every hour of every day, in the United States, Canada, Mexico and Cuba.

More than 100,000 of these cars are loaded every day at nearly that many different locations and consigned to nearly 100,000 different destinations.

These cars are marshaled together into trains — hauled across the continent — run through classifica-

tion yards — sorted and put back together in new combinations — until they reach their final destination — all with such precision that no one gives the whole process a second thought.

The measure of that smoothness is found in this fact — that *the railroads today could handle the all-time peak traffic—1929—with 350,000 to 400,000 fewer cars than they had then.*

All of which means that America has a railroad system to handle any *operating* problem that comes its way.

The only problem of the railroads is lack of earnings — and the best cure for that is a fair chance to earn a living and meet other forms of transportation on equal terms.



**A FAIR FIELD.**  
NO GOVERNMENT FAVOR.  
IN TRANSPORTATION



## "See America"

### FOR \$90

Start from your home town now on a Grand Circle Tour of the United States—east coast, west coast, border to border—go by one route, return by another—liberal stopovers—for \$90 railroad fare in coaches—\$135 in Pullmans (plus \$45 for one or two passengers in a lower berth). Get the full facts from your ticket agent about the greatest travel bargain in history!

Association of **AMERICAN RAILROADS** Washington, D. C.

# "So what?"



"SO WHAT", INDEED? Why, Bill, that sign means less people killed, less property destroyed, less grief and suffering. Listen:

"Take the firebug who had this state in an uproar a few months ago. He won't set any more fires for 20 years. An Arson Department, behind that sign, co-operated with the local police 'til they got him.

"The factory where your friend Joe works is less likely to burn him up or throw him out of work . . . because of building construction standards and fire-prevention measures urged by the folks behind that sign.

"Ditto for the school where your kids go every

day, and for the hospital where your little boy went last year for his mastoid operation.

"Right here in our town we have a better fire alarm system, better fire apparatus, a better water supply . . . and more fire-resistant construction in our buildings . . . because of surveys and recommendations made by the folks behind that sign.

"Those electric devices that made your toast and your coffee this morning, properly used, will not start a fire . . . if they have been tested for safety by Underwriters' Laboratories, a member of the family behind that sign.

"That, Bill, is my answer to your 'So what?'. I'm mighty proud to represent one of the 200

capital stock\* fire insurance companies that do all those things for you without your realizing it. And get this, Bill . . . you as a policyholder of a capital stock fire insurance company, are behind this important public service."

## \*CAPITAL STOCK COMPANY FIRE INSURANCE

provides sound protection at a predetermined price, without risk of further cost. In addition to legal reserves, its policies are backed by cash capital and surplus funds set aside to meet not merely normal claims but also the sweeping losses due to conflagrations and other catastrophes. Its organized public services are national in scope. Its system of operating through Agents everywhere gives prompt personal service to policyholders.



## Shake Hands with Our Contributors

**W**HEN foremen belong to a union, who is their master—employer or union? A tender spot in personnel relations, that question is becoming increasingly troublesome in the efforts of management to retain nominal control of their working staff in union shops.

**Edward S. Cowdrick**, familiar to NATION'S BUSINESS readers as an authority on employer-employee relations, warns employers that foremen who have not been carefully trained are likely to be decidedly off key in future labor troubles. Increased union influence over foremen, he says, will probably continue until the Labor Relations Act is amended.

**Fowler W. Barker** is secretary of the Air Transport Association of America. He is in position to know the terrific obstacles the transport companies once faced in overcoming the public's fear of flying. How they eliminated most of the accident hazards and put their operations on a profit-making basis makes one of the best "gee whiz" chapters in aviation history.

**Harrison E. Howe**, editor of *Industrial and Engineering Chemistry*, periodically keeps NATION'S BUSINESS readers informed of the latest discoveries and inventions in his field.

**Lowell Brentano** is former editorial director and vice president of Brentano's, Inc. He is a playwright and author of many books and magazine articles.

**Roy A. Foulke** is business analyst for Dun & Bradstreet, Inc. For several years his job has brought him into close contact with the financial operations of small and medium sized businesses.

**Edward Fisher Brown** is executive vice president of Milk Research Council, Inc.

**The Case for Investment Banking** is the second in a series of supplements calling attention to the various branches of business that have been handicapped, not only by stifling federal regulation, but even threatened with complete control by governmental bureaus. Few citizens realize the part investment banking plays in the development of America's productive capacity; few workers realize that their jobs depend upon the sale of stocks and bonds issued by industrial firms. And few business men know the difficulties investment bankers face in disposing of securities so that the money from their sale may be used to provide employment which, in turn, provides purchasing power to buy the eggs, houses and automobiles that business men have for sale. Any man who wonders over the threat to this essential industry is likely to wonder what the fate of his own business will be if the Government continues to build a dam so high that securities simply cannot float over it.

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### NATION'S BUSINESS • CHAMBER OF COMMERCE OF THE U. S.

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# Why does a *Customer* *cross the road?*



USUALLY, because she sees a Pittco Store Front on the other side! A Pittco Front starts selling for any store the minute a prospective customer sees it. For a Pittco Front is smart, attractive, modern. It speaks instantly of quality merchandise, good service, fair prices. It catches the eye—and brings in the business.

Merchants everywhere have proved this to be true . . . in the dollars and cents of extra profits a Pittco Front attracts. So don't let profitable business pass you by on the other side of the street. Stop it

. . . let a Pittco Front bring it across the street.

When you remodel your store, see your architect to assure an economical, well-planned job. Our staff of experts will gladly cooperate with him in planning a Pittco Front to suit your needs. And remember, you can use the Pittsburgh Time Payment Plan . . . 20% down, balance in easy monthly payments. Send the coupon . . . today . . . for our new Store Front Booklet, packed with interesting photographs, facts and figures about Pittco Store Fronts.

*This market in Lemont, Ill. was recently remodeled with a Pittco Front. From its owner comes a comment that is typical of many made by enthusiastic merchants everywhere about their Pittco Store Fronts. He states: "Our Pittco Front is one of the finest improvements we have ever made . . . since the new front was put in, our business has increased 25% . . . we attribute this increase mostly to attracting new transient trade that previously had passed us by. We have the most modern-looking store in our community."*



**PITTCO STORE FRONTS**  
PITTSBURGH PLATE GLASS COMPANY  
*"PITTSBURGH" stands for Quality Glass*

Pittsburgh Plate Glass Company  
2332 Grant Bldg., Pittsburgh, Pa.

Please send me, without obligation, your new booklet entitled "How to Get More Business."

Name .....

Street .....

City ..... State .....





## The REASONS WHY...

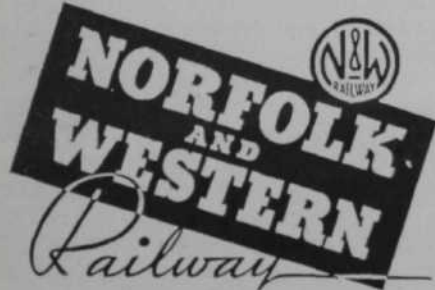
When industry seeks locations for new plants, or sites for relocating plants, it demands the essentials necessary to economic production and distribution. The territory served by the Norfolk and Western Railway has those essentials.

First—the territory traversed by this railroad has an abundance of natural resources. For example, an abundance of the basic elements necessary to the chemical industry; resources for the manufacture of paper products, textiles, and furniture, wood-working and metal-working industries; dairy products, horticulture and livestock industries. And along the railroad there is a vast supply of fine bituminous coal for industrial, domestic and by-product uses.

Second—in Norfolk and Western territory there is an abundance of native labor, electric power and water. Tax rates are advantageous to industry. Living costs are reasonable. The climate is equable.

Third—The Norfolk and Western provides industry with adequate and efficient transportation service. The railroad is strategically located, with lines and connections running north, south, east and west to the great consuming markets of the country. The N. & W. serves six states, an area that extends westward from the world-famed Port of Norfolk to the Middle West at Columbus and Cincinnati. Other N. & W. lines run north to Hagerstown, Md., south to Winston-Salem and Durham, N. C., and southwest to Bristol, Va.-Tenn.

At Roanoke, Va., the Norfolk and Western maintains an efficient Industrial and Agricultural Department. Its staff has complete information on natural resources, raw materials, labor supply, fuel and power, distribution and markets. Telephone or write the Industrial and Agricultural Department of the Norfolk and Western Railway at Roanoke, Va. You will get results.



# Through the EDITOR'S SPECS

## Better than thrift

A NEW ending is given to an ancient fable by artist Charles Dunn in this month's cover cartoon. Good old Æsop's industrious ant toiled and moiled through the summer to acquire his store for winter. But no longer does the leisurely grasshopper pay the price of his improvidence. When the snow flies he simply obtains an official summons to make Mr. Ant disgorge his ill-gotten gains. Ill-gotten because the ant has been so foolishly old-fashioned as to work and save ahead of his immediate needs.

## R.I.P. No Flowers!

MEMBERS of the Illinois Lumber and Material Dealers Association have voted in the ratio of nine to one in favor of abolishing hotel room "entertainment" at conventions.

This is a commercial custom for which a dirge would be most appropriate. Of course there will be howls from those peddlers who say they must use bottle bait to get business. But the burden of proof is theirs to show that any buyer in his right senses ever autographed an order because of gratitude for the quantity or quality of free potatoes offered by a salesman.

True, the convention quartets would suffer. Some of the boys who have been adding to the gayety of life by making spectacles of themselves would be restrained a bit. But these sacrifices would not be in vain. Association officers could labor and produce convention programs with some assurance that they would not be rendered to empty seats owing to the competition of Bacchus in Room 202.

## Taxes have a way about them

THREE years ago the state and local tax rate in Flemington, N. J., was \$3.91. Now it is 81 cents. The reason: four large corporations have moved to Flemington. Not their plants, nor even their offices; only their official headquarters consisting of a few files and safes.

In return for their "homes" the Standard Oil Company of New Jersey, Great Western Sugar Company, United Shoe Machinery Company, and Montana Power Company pay a large share of Flemington's taxes. They moved there because other municipalities had slapped heavy assessments on their "intangible" assets.

A Flemington shoemaker who formerly paid \$135 in taxes on his home this year received a bill for \$25.

## Leave it to the women

WE'VE long held that women have a better sense of politico-economic realities than men. Here's proof:

In Detroit the wife of a Chrysler striker organized other Chrysler wives in a back-to-work campaign. "No Work—No Kiss" was the slogan of this modern Lysistrata.

A California woman brought suit for divorce based principally on the allegation that her husband had developed a "W.P.A. Mentality" causing him to believe that the Government would support him for the rest of his life.

## Parallel lives

TWO MEN who had made their marks on this age died recently within a few days of each other. They had much in common. Both began with poverty and succeeded. Their formal education was confined to the barest rudiments and yet, when they died, they were educated beyond the ken of most collegians, and one of them was loaded with honorary academic degrees. Both contributed lavishly of their wealth to the public welfare and both were targets of abuse from muckrakers and demagogues. They spent their energies freely, achieved much, and died before reaching the biblical three-score and ten.

Henry L. Doherty came out of the West, stormed New York while barely in his thirties, and rose to the presidency of 54 companies. Into his 69 years he compressed more work than is ordinarily done in a score of lives. Improved lighting, public utility organization, great real estate develop-



... good! cast iron pipe will save us plenty in taxes!



**W**HEN the City Fathers decide to stick to cast iron pipe for water mains, every taxpayer should be glad. The great majority of the *original* cast iron water mains installed in America, in some instances more than a century ago, are still in service. For the *proved* useful life of cast iron pipe is at least double the *estimated* life of other

pipe materials. More than 98% of the water mains in America's 15 largest cities are cast iron pipe. It is the only ferrous metal pipe, practicable for water, gas and sewer mains that rust does not destroy. It is available in diameters from 1¼ to 84 inches.



**PUBLIC TAX SAVER  
NUMBER ONE**

Unretouched photograph of century-old cast iron pipe still saving taxes for the citizens of Detroit.

# CAST IRON PIPE

THE CAST IRON PIPE RESEARCH ASS'N, T. F. WOLFE, RESEARCH ENGINEER, PEOPLES GAS BLDG., CHICAGO

ments in New York City and Miami, Fla., oil conservation, war service research, engineering, were only a few of his amazing catalog of activities. In his leisure he invented appliances and gadgets enough to constitute a successful inventor's life work. With it all, he battled during his last 14 years against desperate physical ills.

Charles R. Walgreen was an Illinois farm boy, later a drug clerk, who remained all his life in his native state to build up a one-man chain of 504 drug stores stretching across the nation. Among his many benefactions was the donation of \$550,000 to Chicago University for a foundation to study American institutions. In his old-fashioned simplicity he believed that college students should learn something about the greatness of this nation, as conceived by its founders.

Will this generation permit hidden genius from the grass roots and cross-roads to blossom similarly?

## Plutocratic angel wanted

UPTON SINCLAIR has been advertising for a penitent plutocrat who would like to buy absolution for his sin of making money by paying for the publication of a ten-volume reprint edition of Sinclair's works. For a few paltry thousands which the author doesn't have he says 100,000 copies of his books could be placed in the public libraries for the enlightenment of the socially illiterate.

They would hasten the revolution by exposing America as a jungle of Mammonism. Just now the revolutionary cause sadly needs bolstering.

Epic Upton is pessimistic in his advertisement. He thinks Hitler, Father Coughlin and others are running away with his old Social Justice racket. His books aren't selling.

We can only suggest Oscar Wilde's advice to a writer of his time who complained that there was a conspiracy of silence against him and asked Wilde what he should do about it. "Join it," was Oscar's terse counsel.

## State price tags

THE LAST time we were out their way, the Saegmuller brothers, Arlington County (Virginia) farmers, had a small but exclusive retail milk business serving about 250 customers. Later we heard they had sold their cows and equipment and quit. Why? we asked George Saegmuller.

"We were licked by the Milk Commission's price fixing policies," was his answer. "For a while we tried to carry on with their scheme, but it was just too much for us, so we gave up."

The Saegmullers were producing and selling their five per cent milk at 15 cents a quart to a satisfied trade.



Then the State Milk Commission ordered them to standardize and sell two qualities at 14 cents and 16 cents, the lower price for four per cent milk and the higher for five per cent milk. Having only the richer product from their herd, they tried to conform by diluting some of it with skim milk to get the low-quality butterfat content but that got them into trouble with local Health Department regulations prohibiting dilution. Between local and state authorities the dairymen were squeezed out.

In effect, the State of Virginia was saying to the Saegmullers: "You must line up and be regimented just as we think it should be done. We aren't interested in the fact that your customers want only the best quality milk such as you've been selling. We won't permit you to pass on to them the benefit of any economies resulting from the further fact that you are both producer and distributor. We insist on freezing not only the price that farmers receive for their milk but the price that consumers pay, as well."

When the heavy hand of government tries to help a special group it generally hurts others, leaving the net situation worse instead of better.

### New bureau needed

AN APPEAL to the federal Government for aid in conducting a soap-box derby in an Ohio city has been received through the Ohio state director for the National Youth Administration. Latest reports say that N.Y.A. Administrator Aubrey Williams is giving the petition his most sympathetic consideration. Other communities that have similar events in view please note.

### "Not acceptable"

IN ITS 1938 annual statement Consumers Union reported that it had spent \$11,908 for laboratory testing. That covered testing and rating of 2,000 products.

Curious as to how much expert advice that money would buy, the *American Consumer* studied the cost of testing. It was found that approximately \$31,000 would be necessary to test adequately ten brands of each of 15 articles commonly purchased by Mrs. Consumer. Comparing \$12,000 for 2,000 items with \$31,000 for 150 items one has a pretty good idea of the technical competence behind Consumers Union's positive ratings—"Best Buy," "Acceptable," "Not Acceptable."

### A budget for malingering

A STRANGE phenomenon of science is noted by the *New Republic* in an



PERHAPS THE CLUE LIES HERE



THERE is no telling, in a power-plant, where a symptom of disaster may lurk. The persistent leaking of a boiler seam—a slightly ailing safety valve—a pressure gage that does not tell quite the truth—the first faint crack in an engine shaft tired out by repeated stress... any of these things, and more, can spell "Danger Ahead."

Finding and diagnosing obscure danger signs call for all the professional skill this Company has acquired in 73 years devoted to the single task of safeguarding power equipment. This service is performed by a corps of specialists not matched anywhere else in the world... over 400 field inspectors directed by an engineering staff concentrating exclusively on cause-and-prevention of power-plant accidents.

Far-sighted industrial managements choose Hartford Steam Boiler not only for its financial strength, but for its

effectiveness in reducing the chance of disaster striking them.

• *Hartford Steam Boiler's leadership is evidenced by the fact that the Company safeguards a preponderant part of the nation's insured power equipment; and shop-inspects 90% of its industrial-power boilers during fabrication. Ask your agent or broker why it pays to place your power-plant insurance with the specialist.*

THE HARTFORD STEAM BOILER  
INSPECTION AND INSURANCE  
COMPANY HARTFORD  
CONNECTICUT





## The TAPE that got me a \$300,000 contract



"Yours is the low bid, Mr. Thompson," they told me... "so low that we hesitate to award you the job. Can you prove that you have figured the specifications correctly? We must reach a decision today."



I'd spent four days estimating the job, but I knew I wasn't licked. I sat down with their engineers, the blueprints and this tape...the record of every calculation we'd made at the office on our new Printing Calculator.



### FOR EVERY EXECUTIVE who Deals with Figures

A \$300,000 construction contract is probably not in your line... but whatever your business is, we'll guarantee that this new Printing Calculator can earn its modest cost for you in short order. Electric multiplication, automatic direct division, and the printed tape, a permanent record of each factor in each calculation... these features give you fast, accurate, "once-only" figuring of costs, payrolls, invoice extensions, interest, inventories. See this mechanical marvel in action. Phone our nearest branch today!



In two hours it was all over and I had the contract in my pocket. What a swell way to start off the year!... yet without this tape I'd have been out in the cold. I think I'll write Remington Rand a letter!

**Remington Rand Inc.**  
Buffalo • New York

In Canada: 199 Bay Street, Toronto

World's Largest Makers of Adding and Bookkeeping  
Machines, Systems & Equipment



editorial calling on all the faithful to take up arms in the cause of socialized medicine. It is the frequent simulation of illness symptoms by persons subject to free medical service.

Some doctors have tagged these cases as "compensitis" or "compensation neurosis," but *New Republic's* editors are more considerate of those afflicted with this complex. When a worker, tired of his job, fakes an illness that gets him an excuse from work it is only his subconscious that is malingering. Any Freudian would understand that. This being the case, social provision should be made for the cost of such indisposition, just as though the patient really had silicosis and not "compensitis."

Mental healers tell us that a sick man can make himself well by thinking he is so. Now we are told how well men may make themselves sick by the same method. Many will profit by the suggestion, if one of the numerous national health insurance plans becomes law.

### A great discovery

OUR FRIEND, Harford Powell speaks of "the vulgar error of thinking that crooked business is more profitable than honest business—a delusion held by many of our most crack-brained pedagogues."

The trouble with these "crack-brained pedagogues" is that they are unsophisticated babes in the woods. They know about such things as categorical imperatives, the instability of the homogeneous, or the quantum theory, but they don't know debits and credits or men and women.

When Prof. H. A. Overstreet writes that "Because wealth is now largely a matter of symbols, it can be accumulated—when one knows the subtle technique—with comparative ease," he illustrates our point. The world is waiting breathlessly for the Professor to do a book explaining that "subtle technique."

About all the subtlety we can read into it from observing the men who have this technique is a willingness to work harder than other men, combined with an intelligent purposefulness. But that's too simple for the professor's comprehension.

### Sermon on greed

THE "LIBERAL" professors continue to snipe at business as crude and boorish. Here is a book, "The Manners and Morals of Business," by Prof. Max Radin of the University of California (via City College and Columbia in New York), which enlarges with much recondite learning on "the lust of accumulation." The professor rakes over a great deal of history and an-

thropology to prove that the business man has always been a pretty sorry fellow.

He discovers that the ancients of the Mediterranean basin had difficulty in distinguishing traders from pirates and brigands. Certain ancient merchants did win a degree of respect because of the danger and hardships they endured in obtaining and transporting their goods, but today that is forfeited since modern merchants "sit comfortably in secure positions and collect profits from the sweat of other men." Doubtless the only way to convince the author of his error would be to sentence him to sit "comfortably" for a spell in the office of a wholesaler or retailer and see how long he could take it.

Many of the methods recommended to salesmen, the writer observes, resemble "the tricks of that lowest and most vicious of trades, the prostitute." Salesmanship is mostly "ignoble" because "the object is that of greed."

Wonderfully inscrutable are the ways of some academic minds. We humbly confess our inability to understand, for instance, why it is "socially desirable" activity when a professor works overtime to write books, then haggles with publishers over such things as serial rights and advance royalties; but ignoble greed when a salesman puts on steam to earn his quarterly bonus.

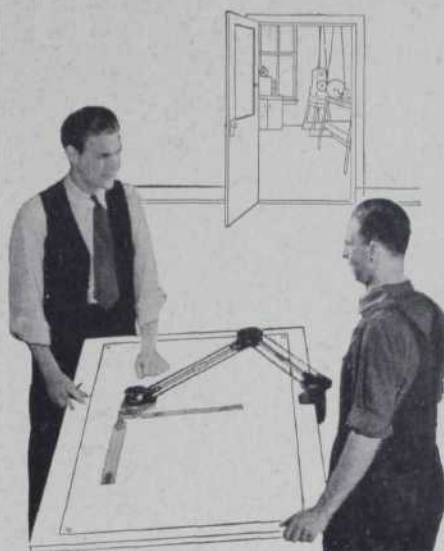
### Thunder on the left

I AM not a Communist. I am just an old-fashioned revolutionary who has not let Hitlerism scare him out of his belief that capitalism, whether it is fascist or democratic, is rotten to the core and must go. Anything to speed its departure is all right with me—even a general war in Europe.—Wolf Porter in *The New Republic*.

A NEW AND HIGHER type of civilization (the Soviet Union) is defending its borders against a smaller neighbor (Finland) which refused to guarantee the safety of Leningrad.—Earl Browder.

POLITICIANS TODAY are the only ones spreading the cement of sociality at a level low enough to benefit the masses.—Rep. T. V. Smith of Illinois.

AMERICAN CAPITAL is much like a spoiled child who has caught onto the idea that if he will hang back and sulk he eventually will be bribed. A sterner discipline may be necessary. Invest or have your money taken from you! This can be done by an intelligent tax system.—Ernest K. Lindley, Washington columnist and biographer of Franklin Roosevelt.



## "We Broke a 'Bottleneck' with Bruning-Wallace Drafters!"

● "When our production increased, we found our Drafting Department couldn't keep up with the faster pace. Work was being held up all along the line because drawings weren't available in time. We found the answer—and broke a drafting 'bottleneck'—by installing Bruning-Wallace Drafting Machines. Now our drafting is 25% to 40% faster—and more accurate than ever before!

"Why did we choose Bruning-Wallace Drafters? Because, after a detailed comparison, we found that Bruning-Wallace Drafters had the highest degree of precision of any of the machines we examined. Believe me, Bruning-Wallace machines are built like a fine transit, with precision machining in every part and exclusive features that assure permanent accuracy. What's more, Bruning-Wallace Drafters give us Touch Control for new smoothness and ease in drafting!"  
CHARLES BRUNING COMPANY, INC.,  
100 Reade Street, New York.

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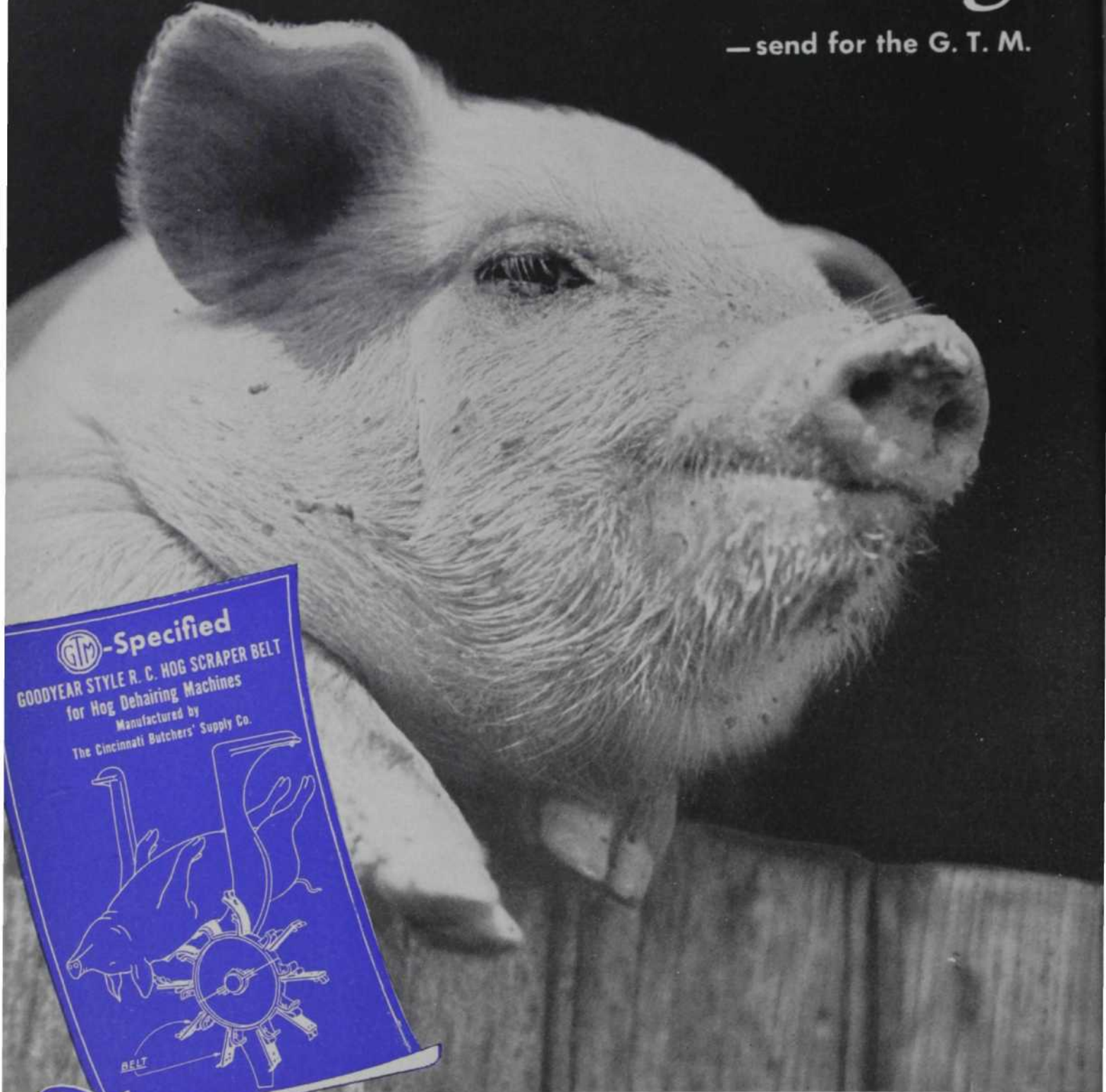
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# Want to Shave a Pig?

— send for the G. T. M.



-Specified  
GOODYEAR STYLE R. C. HOG SCRAPER BELT  
for Hog Dehairing Machines  
Manufactured by  
The Cincinnati Butchers' Supply Co.



**T**he clean-shaven hogs seen in butcher shops owe their bald nudity to rubber. Millions are neatly barbered every year by rubber hog scraper belts specially designed for dehairing machine manufacturers by the G. T. M. — Goodyear Technical Man. Long rows of these belts fitted with sharp steel claws scrape off the bristles as they revolve against the carcass. These belts must be flexible enough to follow the porker's contour without tearing the skin—yet tough enough to long withstand

the destructive action of heat, steam and grease to which they are continuously exposed in the dehairing machine. How well Goodyear Hog Scraper Belts stand up is proved by their wide use throughout the packing industry. Perhaps you have a difficult job that could be better handled by rubber correctly specified by the G. T. M. Write Goodyear, Akron, Ohio,

or Los Angeles, California  
— or phone the nearest  
Goodyear Mechanical  
Rubber Goods Distributor.

THE GREATEST NAME

IN RUBBER

# GOODYEAR





## Playing Both Ends Against the Middle

**T**HE SIXTEENTH decennial census now starting, Government sources say, "will provide the most exhaustive assemblage of facts ever compiled on the population, resources, business and occupational activities of the United States." By that dimension we can measure the step from what began as a simple counting of heads to apportion congressional seats. With every enumeration have appeared new refinements of reporting, recording, compiling, until almost every material aspect of living and doing has been explored.

But what of the spiritual? Can human census-takers ferret out and report upon the changing attitude toward Life and the State? Can any statistics reveal the constituency of the stuff of which nations are made—the spirit of the people themselves?

Time was when we said that our oldest tradition was that of being a young country. Youth saw opportunity for the looking. Townsendism was far off as an evangelized faith for age. Progress in the national interest was the natural goal of a people viewing adventure as a characteristic experience, and success as a prize within every man's grasp. Talk of disparity was yet to come as a political stratagem. Work, sacrifice and win was the big idea. People got along on their own power. Distribution of the national income by weight of years or lack of them had few missionaries.

From Europe we had imported the idea of the class struggle—the thought that the propertied and the unpropertied, the "haves" and the "have-nots," are inherently at odds by reason of their condition in this world's goods. But nowhere on the horizon of American politics had appeared an issue in which generation was pitted against generation as a matter of statutory prescription.

Just how many of the old folks feel self-pity, the census will not disclose. Just how many of youth are bowed down by defeatism, no figures will reveal. No note, even, of those 25 and 65 year-olds, who, through will power, resourcefulness and energy, have found a way.

Nor will the views, considered or impulsive

of the 40,000,000 workers in between be registered, who are earning their salt and sharing it in greater and greater proportion with young and old. The Great Census, with its "most exhaustive assemblage of facts ever compiled," will record no answer from the middle group to the flank attacks of millions of public administrators who would increase their number by new plans for redistributing the productive labor of that patient, hard-working and dwindling group of Americans.

The power of resistance of this middle group will decrease as the administrative distributors of the results of their labor increase. As the productive workers feel more and more the pinch, they, too, will endorse new schemes which promise them this or that "benefit" of a State-agency. But today, while the American spirit of getting on and up in the world still prevails, this generation in the middle might well express its attitude in the words of Victor Hugo to the French General Assembly in 1848:

The wealthy idler we know well. Be careful not to create a person a hundred times more dangerous, both to himself and others—the pauper idler!

There is some ground for hopefulness. From many quarters come indications that America is beginning to think its way out. The nation is beginning to realize that, in our zeal to promote more rapidly the national good, we have overdone it. In our well intentioned and laudable desire to improve working conditions by legislative fiat, we have prevented youngsters and oldsters from making their marketable contributions. Unwittingly we have taught our youth, the schools abetting, that the first rungs on the ladder can be eliminated. We must restore the old American idea that the satisfying and certain route to the manager's desk is from lineman and rodman, and office boy, from deck-hand to captain. Only work, and more work, on a basis real production can sustain, will create that wealth which is necessary to provide for the non-productive groups.

*Mere Thorne*





North to the Orient with the Lindberghs...over the Pacific from Australia with Kingsford-Smith...across the north pole with Sir Hubert Wilkins...solo 'round the world with Wiley Post...fastest 'round the world with Howard Hughes...a few of the many famous flights made in standard Lockheed airplanes.

LOOK TO *Lockheed* FOR LEADERSHIP

LOCKHEED AIRCRAFT CORPORATION • BURBANK, CALIFORNIA



# The Foreman's Union Card

By EDWARD S. COWDRICK



**D**URING a recent strike, some of the employing company's foremen joined a union affiliated with the same overlying organization to which the strikers belonged and demanded the right of collective bargaining. Later the demand was withdrawn and the incident passed without a test of strength. But, although this particular controversy was adjusted with the consent of all concerned, the episode caused widespread misgiving, not only among employers but with the public at large. The episode was interpreted as a threat to break down the close community of interest that is supposed to exist within the ranks of management.

If foremen can organize and bargain collectively, thus seeming to cast in their lot with union labor, how, it was asked, can an employer still look upon them as his own deputies in managing the shop? If organized foremen decide to support a strike, how can the employer control production, maintain discipline, or even keep the establishment in operation. Would not a union foreman face a perpetual conflict of loyalties? Would not management become, in effect, a house divided against itself?

And yet the organization of foremen is not wholly new. Disregarding

**WHAT can be done about the divided loyalty that arises when a man in a supervisory position must decide whether to serve his employer or his union?**

the numerous foremen's clubs, which are not labor unions at all but social or professional groups, there have been for many years some instances of unionism in the supervisory ranks. An outstanding example is the printing trade, in which foremen belong—and under closed-shop contracts have to belong—to the same unions as their subordinates.

In fact, a fairly large proportion of labor unions permit the enrollment of employees having some degree of supervisory authority. In most American Federation of Labor unions this

privilege of membership stops with foremen who do not have the power to discipline, hire, and discharge men.

Throughout the years this extent of organization has created little outward disturbance, and in some industries it has come to be taken as a matter of course. Recently, however, and especially since the rise of the C.I.O., unionization of foremen has been more extensive, with a growing tendency to include officials having the power of employment and discharge. Not only in manufacturing industries but in some mercantile establishments, large numbers of supervisory employees either voluntarily or under pressure have joined labor unions.

Sometimes these unions have been the same as those to which rank and file workers belonged; at other times they have been separate. The situation is particularly disturbing when aggressive unions have attempted to recruit foremen in the mass production industries, where collective bargaining often is new and experimental and where labor conditions sometimes are unsettled. Most employers and many publicists and outside observers look upon this variety of unionism as a real menace to private control of industry. Under a strict interpreta-



tion of the National Labor Relations Act, it is probable that foremen—or plant managers or vice presidents, for that matter—have rights of self-organization and collective bargaining similar to those of manual workers. The Fair Labor Standards Act (wage-hour law) excludes executives and professional employees from its benefits. The National Labor Relations Act does nothing of the kind.

The Labor Board repeatedly has upheld the rights of foremen to organize and bargain collectively. True, it usually has excluded them from bargaining units made up mainly of rank and file employees, except in cases in which the supervisory status of certain men was doubtful or in cases in which the union and the employer agreed that the foremen ought to be included.

In the maritime service, the Board has certified several groups of licensed officers as collective bargaining agencies.

If the foreman is thus an employee and therefore entitled to the protection of the Wagner Act, he is also, by the terms of that same law, a representative of management. This fact, too, has been recognized in many Labor Board decisions. As a representative of management, the foreman is expressly forbidden to influence the

choice of the workers in respect to unionization or collective bargaining. If he oversteps this prohibition his employer may be found guilty of an unfair labor practice. Many employers have been condemned by the Board for that very reason.

### A problem for employers

WHAT, then, is the employer to do? If he discourages the unionization of his foremen he is in danger of running afoul of the law. But if the foremen join a union which admits manual workers to membership—or even one which is affiliated with a rank and file organization—can the Labor Board overlook the possibility that this fact has an influence upon the collective bargaining activities of the workers? Thus it appears that the employer is in danger of violating the law if his foremen join a union; that he is likewise in danger if they do not; and that his peril is increased if he does anything about it one way or the other. And all this law-breaking is concerned with a single statute—the National Labor Relations Act!

Confronted with this legislative *reductio ad absurdum*, the Labor Board laboriously hammered out a solution. In one decision (Ward Baking Company case, July 23, 1938), the Board

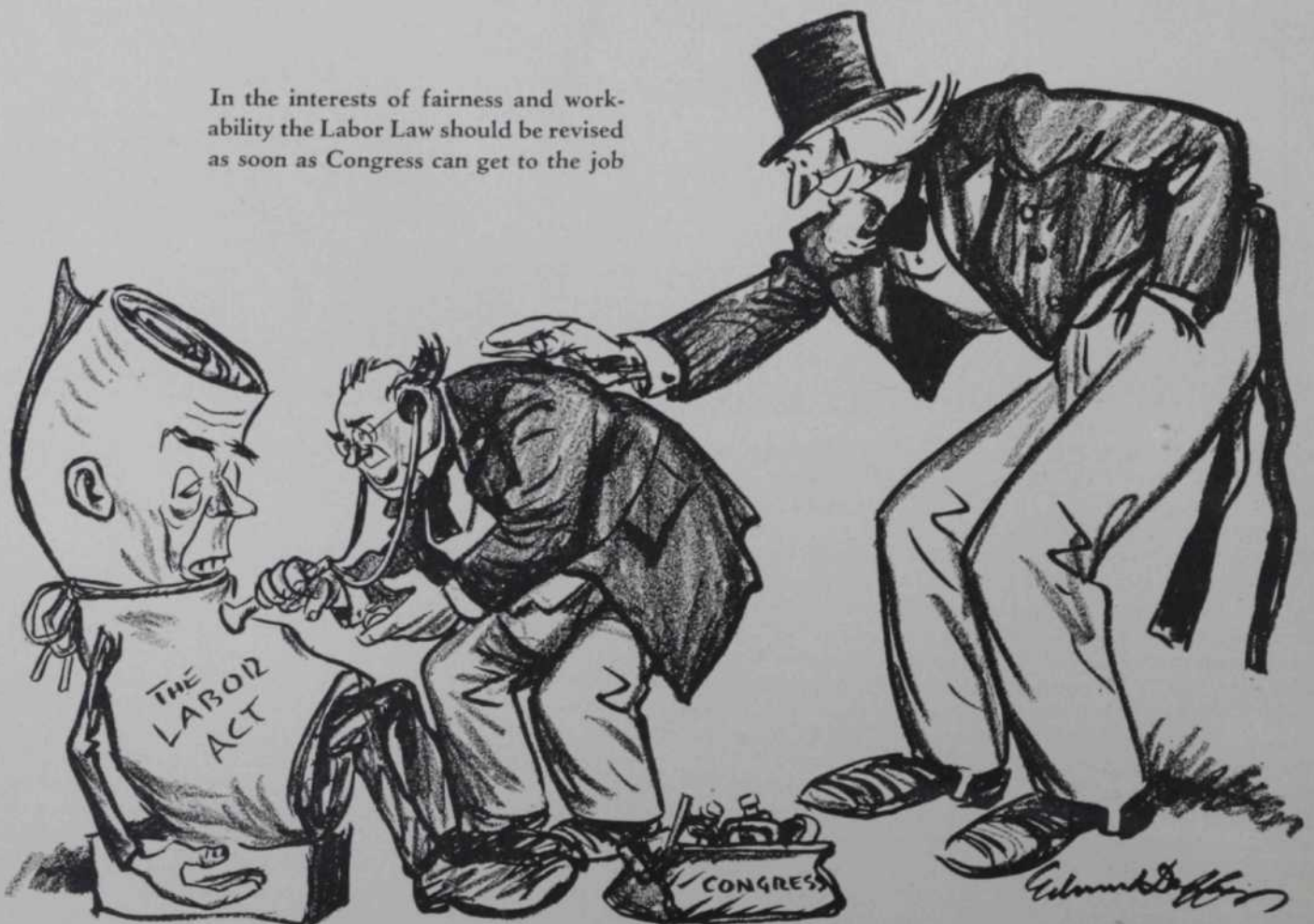
found that supervisory employees belonged to an American Federation of Labor union, to which some of the wage earners also belonged, and had aided it in an organizing campaign among the rank and file. In its decision the Board said:

We are of the opinion . . . that the respondent is not relieved from responsibility for the union activity of its supervisory employees by virtue of membership of such employees in a labor organization. A corporate employer in its relations to its ordinary employees necessarily acts through and must be held responsible for the acts of its supervisory employees. Where such employees actively interfere with one labor organization and promote another, the employer itself must be deemed to have engaged in such interference and promotion.

The Board ruled, however, that the company need not notify its foremen to withdraw from membership in the union, on the ground that "mere membership of supervisory employees in a labor organization is not objectionable and does not constitute an unfair labor practice on the part of the employer." This decision appears to mean that a foreman has a right to belong to a wage earners' union but that he cannot be active in recruiting members.

In the Atlantic Greyhound Corporation case (June 27, 1938), the  
(Continued on page 93)

In the interests of fairness and workability the Labor Law should be revised as soon as Congress can get to the job







Through these control towers planes receive weather reports and other data by radio

## Air Lines Turn Red Ink to Black

By FOWLER BARKER

**S**INCE 1934, when the air mail contracts were cancelled, the air lines have lost well over \$2,000,000 a year. In 1939 they netted between \$3,000,000 and \$4,000,000 before income taxes. A penurious operator cannot be a safe operator. Col. E. S. Gorrell, the so-called Will Hays or Judge Landis of air transport, estimated at the late Senator Copeland's air safety hearings in 1936 that each air line accident costs several million dollars in loss of business, claims and ill will for the industry generally. When one air line meets misfortune all suffer.

If the air lines had had safer operation in the 1934-37 period, they would have been in black ink sooner. Nineteen-thirty-eight was a good year for safety, but it was not until the last nine months of last year that the air carriers became thoroughly safe—it was then that the industry got into



Toy balloons, as well as precision instruments, reveal weather conditions

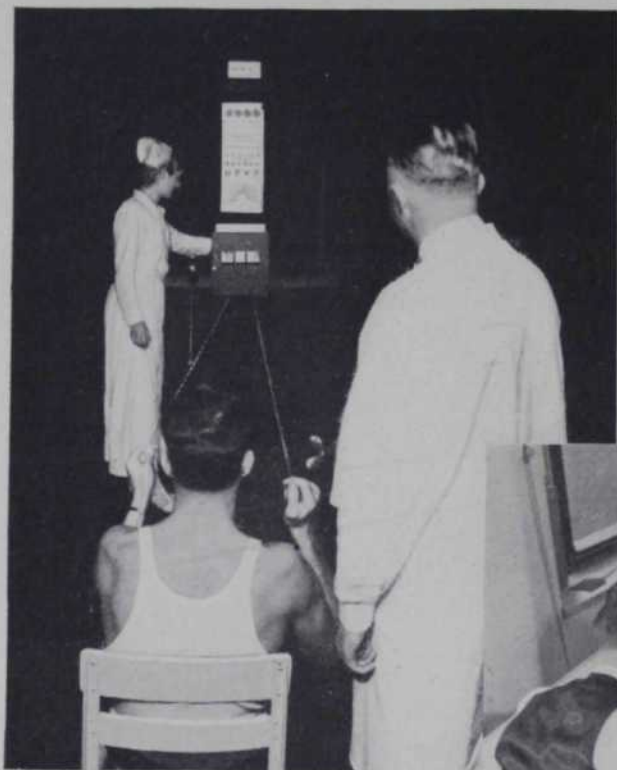
black ink. It is a circle but not a vicious one. Black ink helps safety—safety helps black ink.

Recently hardly a week passes without some government or air line official making a statement about the remarkable, the extraordinary, safety record of the air lines. It is compared with the foreign air line record. Air traffic men compare it with the railroad and bus records in terms which currently are favorable to the newest, fastest form of transport.

Here are the bare figures:

On December 20, the air lines of the United States had flown 585,000,000 passenger miles, 60,000,000 plane miles and carried 1,360,000 passengers, since there was an injury or fatality to a member of the crew, a passenger or an on-looker. This plane-mile figure is equal to more than 200,000 times across the continent.





Two sliding sticks attached to strings test the pilot's judgment of distance as part of his periodic health check

The "blueprint" men in the engineering department constantly seek to improve equipment



Considerable cash has been spent in making surveys of why people do not fly. Because most of those who are afraid to fly do not want to admit their fear, the surveys showed preponderately that *fare*, not *fear*, was the problem.

The average per mile passenger fare has been reduced from 5.7 cents in 1935 to 5.5 cents in 1939. Annual passenger volume increased from 746,946 to more than 1,700,000 in that period. It is obvious that *fear*, not *fare*, is the real answer. And fear is rapidly becoming dissipated.

### Working for safety

ONE item on which all the air lines have cooperated from the beginning is safety. Because of the results achieved in that field, it is now possible more than ever before to cooperate on other matters; examples are the "It Pays to Fly" joint advertising campaign, the recently signed air line arbitration agreement, the air traffic conference similar to the successful trans-oceanic steamship conferences.

This safety record did not just happen. The air lines with the help of

ment must be restricted to the most vital things, and that industry itself must be enabled to shoulder much of the burden of providing the regulation which it needs. How this can best be accomplished for industry generally it is difficult to say. One suspects that there is no ready formula which can be applied to every business. But Congress has recently taken a step designed to meet the needs of one important industry. . . .

The Act not only applies to economic but to safety regulation. The beauty of this Act insofar as safety regulation is concerned is that the administration of the subject may be, and in practice is, conducted by the Administrator of the Civil Aeronautics Authority and not the five-man Civil Aeronautics Authority although the five men approve safety regulations and their amendments. The Administrator also directs the construction, operation and maintenance of air navigational aids and makes recommendations to the Secretary of Agriculture for providing weather service "necessary for the safe and efficient movement of aircraft in commerce."

The accomplishment of this important administrative function and subsequent congressional approval has had and will have in the future a di-

rect and beneficial bearing on safety not only for the air carriers but the Army, Navy and the many thousands of private and non-scheduled commercial aviators.

Then, in addition to the Authority and the Administrator, the Act set up an Air Safety Board to investigate and report on aeronautical accidents and to make such studies about air safety as the Authority may request.

It would appear . . . that the rôle of Govern-

ment should preclude for the C.A.A. the messes into which other government agencies and com-

missions have found themselves to the detriment of the industries which they controlled. This system, *if it works*, will prevent the Authority from acting as prosecuting attorney, jury and judge. The intent of the Act, as expressed by Colonel Gorrell, and the separation of administrative and quasi-judicial functions is a matter which other industries might investigate. The C.A.A., the Administrator and the Air Safety Board apparently want this new application of democratic philosophy to work.

Let us see how it has worked for safety to date.

Painstaking, scientific and coordinated effort is responsible for the current air line safety record. The effort has been led by the air lines themselves. Frequent conferences are held to discuss all phases of safety including operations, maintenance, overhaul, flight technique and personnel problems. Between meetings, memoranda on these subjects are exchanged. Every operator is put "on the spot" to improve, to keep up with the other fellow. It is embarrassing not to. Note the distinction: There is no "cracking down" by the Government; instead there is encourage-



ment and help from their fellow operators.

Four years ago the air lines withdrew from the Aeronautical Chamber of Commerce. They felt they were big enough to have an organization of their own. On January 14, 1936, the Air Transport Association had its first meeting. In the evening of that day, while the meeting was still going on and a few hours after a speech in which an air line president explained how safe the air lines were, an airliner cracked up in an Arkansas swamp killing 14 passengers and the crew of three. The operations committee of the new association, independently of the then official accident board which was part of the combined judge-jury-prosecutor Bureau of Air Commerce, immediately went to work analyzing the accident.

### Possible causes were remedied

IT WAS one of those "beyond the knowledge of man" causes, but enough was known to pin it down to at least two items on which definite remedial steps could be taken. So-called remedies based on snap judgments must be carefully avoided in air transport. Bureaucracy has to be careful.

The industry should be in a position, due to intimate continual experience, to work out most of these

safety problems itself. That is what the air carrier industry is trying to do. And it has had some success.

Currently the operations committee chairman is Maj. R. W. Schroeder, vice president of United Air Lines. Members are the operating heads of each air line in the country including Pan American. Ralph Damon, vice president of American Airlines, was chairman from January, 1936, until a year ago. He did such an excellent job that, when the Civil Aeronautics Authority was organizing in 1938, he was called in as adviser on safety regulations and the administration of airway aids.

Schroeder is a safety man from way back. A test pilot at Dayton during the war, he held the world's altitude record for several years. He pioneered the Detroit-Chicago air line for Henry Ford after leaving the Army and was chief of air line inspection in Washington for several years. His policy in Washington was: let the industry do the job itself. If it cannot do it, help it. If it will not, force it to by regulation. Schroeder seldom had to invoke the last mentioned procedure. He was so good in his job and so thoroughly respected that an air line did what he suggested. The difficulty was that in those days most of the carriers were broke. It is better now. At a conference in Washington in early 1937 some one mentioned the

air line safety factors of having two engines, two radios and in some cases two tails.

An insurance man announced to the conference that what aviation needed was *two* Schroeders.

Outstanding among the operations executives who have contributed to the work of the committee over a period of years are L. G. Fritz, vice president of Transcontinental and Western Air, Inc.; Sid Shannon of Eastern Air Lines; J. H. Carmichael, who graduated from pilot to operations manager of Pennsylvania-Central Air Lines; Charlie N. James, the first man to fly mail over the mountains out of Los Angeles, vice president of Western Air Express; and George Gardner of Northwest Airlines.

### Promoting safety everywhere

EXECUTIVES of some of the smaller or medium sized lines have been valuable aids, notably Paul Collins of Boston-Maine Airways; Vernon Dorell of Mid-Continent Airlines, and Pat Higgins of Delta Airlines. All have been expert pilots and most of them still are.

If one operator needs jacking up, this committee does it. They recently met to tell one smaller operator how maintenance and operation proce-

*(Continued on page 104)*

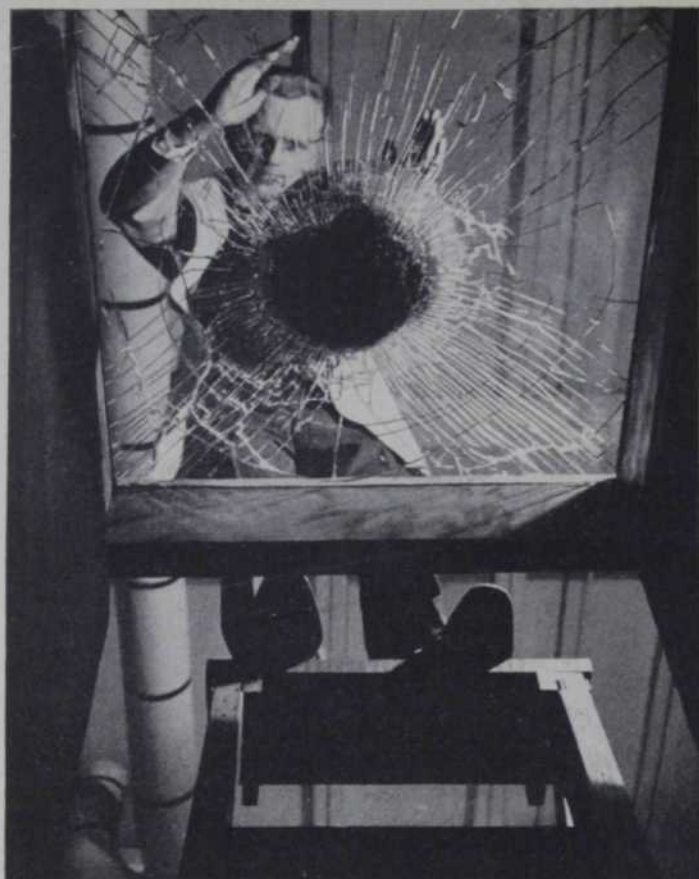


In the overhaul shop each engine is completely torn down after each 500 hours of service



# Chemistry Adds

By HARRISON E. HOWE



Laminated safety glass will not splinter under terrific impact. A new resin provides the elasticity

BLACK STAR



Bottle washing machine with brush bristles made from Nylon, one of the new synthetic fibers

FRANKLIN INSTITUTE



MONSANTO  
CHEMICAL COMP.

Santocel, a new insulating material made of sand

of the Ethyl Gasoline Corporation. These reactions are like those long known in inorganic chemistry where certain groups of atoms within the molecule are rearranged when brought into reaction with other compounds, forming new groups at ordinary temperatures and pressures without undue waste. Such reactions have not been known in organic chemistry unless promoted by great heat and high pressure.

In these new reactions, compounds undergo rearrangement without absorption or release of heat when they are simply mixed in the presence of a suitable catalyst. Groups of atoms as well as atoms themselves interchange freely between different molecules at room temperatures. This provides a new tool for solution of many problems including those involved in the aging of wine, whisky and brandy, to men-

The accident record was still further improved, while wages and hours stood out favorably as compared to industry as a whole.

It has come to be generally recognized that progress in industry depends directly on the results of fundamental research, and nowhere is it practiced to better purpose than in the chemical industries.

One investigation that has aroused a great deal of interest is a new series of reactions in the field of organic chemistry discovered by George Calingaert

**T**HE YEAR just passed has left a satisfactory record of chemical accomplishment. The industry, favorably known for payment of dividends, continued that practice and, at the same time, its policy of reducing prices wherever possible, relying upon increased volume to maintain a satisfactory return. Thus, for the twentieth time since its introduction, the selling price of Cellophane was voluntarily reduced.

In comparison with other industries, chemistry had few labor difficulties.



# New Tricks in 1939

GEOGRAPHICAL FRONTIERS have disappeared, but the pioneer road is kept open by intrepid explorers who can make nature surrender her secrets for the use of mankind



tion but one field that has long been baffling.

The physicists and physical chemists discovered that enormous amounts of atomic energy can be released by splitting uranium atoms through bombardment with neutrons. The experiments conducted indicate that, for each of the uranium atoms split, 175,000,000 electron volts of energy are released. As yet this is of academic interest only but it forms a part of a larger mass of data from which may ultimately come methods for using atomic energy, a subject long of popular as well as academic interest.

These two are chosen from a considerable number of fundamental researches principally to emphasize once more that progress, not only in industrial chemistry but in other commer-

U. S. STEEL

Most manganese used in steel making is imported, but a new process for treating domestic ore has been found

ACME



Marian Williams plays a clarinet made from coal, water and air



Problem of corrosion in industries using distillation processes was simplified by use of stainless steel bubble trays



cial enterprises, in the last analysis depends upon what may be learned through fundamental research. Without such information there is little opportunity to conduct a manufacturing process to produce that for which a public may be waiting.

### Greater corrosion resistance

TURNING now to some of the more industrial phases of recent chemical progress we may as well begin with some of the structural materials. Stainless steel is well known for its corrosion resistance.

One of its weaknesses has been corrosion in sea water and like solutions. Research has led to patents, issued in 1939, covering the incorporation and other uses of silver in minute quantities alloyed with stainless steel. The new alloy is found to be a great improvement for such service. Advances have been made in the use of carbon blocks or bricks and other forms of carbon as a structural material where corrosion resistance is of special value.

Thin sheets of stainless steel have been cemented to some form of mineral backing such as asbestos concrete board, producing what is called stainless steel lumber for structural purposes. This is reminiscent of clad metals where progress is continually made. The object is to take advantage of the low cost of ordinary steel combined with the corrosion resistance of some one of the new alloys that is made an integral part of the unit. In this manner corrosion

resistance is achieved with low costs.

A unique use of stainless steel is to be found in the new Italian coins. It has been estimated that more than 5,000 tons of nickel, so necessary for other purposes, can be diverted from monetary uses by substituting stainless steel and coins have been issued in denominations of two lire, one lire, and five and 20 centissimos. The new coins contain about 22 per cent chromium, 12 per cent nickel, and a small amount of molybdenum. About 16,000,000 pounds of stainless steel have been used in producing them.

Much interest centered about the possibility of using synthetic resins with which to build up laminated structures for wings and fuselages of airplanes, and experiments on a large scale are under way.

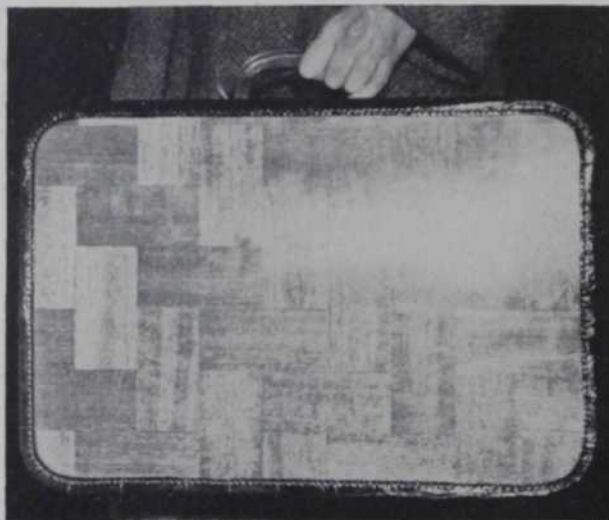
The paper industry has made fur-

ther advances. After much discussion, construction was started on a mill at Lufkin, Texas, where southern woods, notably pine, are to be converted into white newsprint paper for the first time on a large commercial scale. If this venture is successful, the southern woods which grow rapidly may materially change present conditions under which we import some \$175,000,000 worth of pulp annually.

The increasing use of kraft paper was one factor in bringing about the recent establishment of so many new kraft or sulfate process mills in the South and some expansion has been planned. Concurrently, bleached sulfate, or white kraft as it is sometimes called, seems to be gaining steadily and has caused some worry among the manufacturers of sulfite in the North. Research has developed ways of improving the color of this sulfate so

that it is now used even in some bond papers in competition with sulfite. The fiber is said to be stronger than that of sulfite and we appear to be at the beginning of a new development in paper technology.

(Continued on page 74)



Traveling bag made of plywood that has been impregnated with resins



This couple wearing fiber suits made of acetic acid and a nitrate base—luggage with plastic handles

Wood waste may now be utilized to make plastics stronger than wood itself



# Hospitals Offer Opportunity

By LOWELL BRENTANO

THE FIELD isn't crowded, the pay is good, but the problems would have puzzled Solomon and the difficulties have tried Job

ONE DAY the superintendent of a large western hospital received a telephone call from a local politician asking an immediate tonsilectomy for the daughter of a family he was referring there. The superintendent groaned. There was always a four months' waiting list for free tonsilectomies in his hospital. But, thinking of possible return favors, he disarranged his schedule to put the child on the operating table the next afternoon.

Early the next morning papa and mamma turned up, not with one child, but with three, mamma blandly explaining that her little nephews "might as well have their tonsils took now, too." The superintendent clutched his brow, dashed out of the office and again rearranged the schedule so that the three children could all be operated on within a week.

When he explained to the parents, the father said, "I don't call that no favor—I thought we could have it done right away. Now we got to come back—"

His wife interrupted, "Shut your big trap, you bum . . . don't you know when you're being treated right. . . ?"

She turned to the head with a sweeping gesture of apology for the husband, who began cursing his better half at the top of his voice. Finally the superintendent quelled the dispute and sent the contestants home. Then he telephoned the politician.

"Say, what kind of lunatics did you ship in to me?"

The politician apologized. "For Pete's sake, why didn't you throw them out? They don't mean anything to me. I don't even know them. They came in asking a favor, and I had to pass them off on someone!"

Before life became so complicated, the hospital superintendent was often a tired old doctor, retired from practice to an easier berth, or a young doctor, unsuccessful in acquiring a practice. But in recent years, the demands have become such as to preclude



EDWARD F. WALTON

The man began cursing his wife at the top of his voice. The superintendent finally quelled the dispute and sent them and the children home

such selections. A hospital administrator must be an adaptable combination of diplomat, spiritual leader, hotel manager, department store executive and medical authority. He must work at high pressure. If he lives outside the hospital there is always a telephone near his bed to call him back. If he lives in the hospital his duties never end.

## Choosing an administrator

THERE are two types of administrators, business men and doctors. Today some of our largest hospitals are run by business men. There is endless discussion as to which is better. The business executives argue that a hospital head has nothing to do with the medical treatment of the patients, and that the medical prima donnas on the staff are far better off under the objective guidance of a business brain. The medical executives argue that a hospital

administrator should have a great deal to say about the clinical treatment of patients (even if personally he does nothing) and a business man "doesn't even speak the same language."

Some large hospitals have two heads—a business man as administrator-in-chief and a medical man as superintendent. Others have a medical administrator with a business assistant. This solution is only feasible for a huge hospital.

But, doctor or business man, the administrator must have the wisdom of a Solomon in dealing with human nature. Some years ago one of New York's largest hospitals brought in an efficiency engineer who discovered that he could cut the institution's laundry bill \$5,800 yearly by ironing caps and uniforms flat. It happened that the nurses in this particular institution had a multiplicity of frills in their caps and pleats in their uniforms which, in their eyes, enhanced their feminine attractiveness.



A protest went up, and in three days the hospital was threatened with a nursing strike. The superintendent intervened. The \$5,800 went back on the budget.

The superintendents of public hospitals—city, county, state and federal institutions supported by taxation—are both to be envied and pitied. They are spared some of the budgetary fears that haunt voluntary hospital executives. To be sure, the public authorities may pare the budget until it bleeds, but even so, public resources are more certain and extensive than private charity. Administrative complications seem to be fewer in many public hospitals. Buying is done by a city purchasing agent and employees must be selected from a civil service list.

Many public hospital executives say these restrictions hamper rather than help. They have no real control over their own costs, they claim, because laws are forced on them. In fact, virtually all expense items for public hospitals are set by law and, despite idealism, honesty and intelligence, public supervision inevitably involves red

tape and delay. Moreover, political "angles" cast a shadow over the lives of public hospital executives.

### Many types of patients

A MIDDLE aged man, with "the right connections" developed a mild case of arteriosclerosis. He required merely medication, some treatment, and to take life more slowly. The man had a little money, and several successful children, but none of them had any intention of cutting into their own bank accounts.

So the gentleman was shipped into the hospital, where he remained as a guest of the city for four and a half years! At first the hospital made some pretense of keeping his medical records, but, as piles of useless charts developed, this was dropped. The superintendent could do nothing. There the gentleman sat, happily occupied with his cigarettes, radio, newspapers, an occasional visitor. Eventually an upset in city politics brought a change of administrations, and the persistent invalid was ejected.

Sometimes a piece of unselfish graft harms no one—except the taxpayers! A few years ago a young man was admitted to a public hospital with a badly abscessed tooth that had developed into a festered jaw. In about three weeks he was sufficiently well to be discharged but he had nowhere to go. Although he had been seeking a job for a year, it had eluded him. It happened the hospital was badly understaffed

and the budget permitted no additions. Some of the nurses offered to help the young man remain in the hospital if he would help with the heavy cleaning. He accepted gladly. With the cooperation of several internes, they faked a chart that fooled everyone save the chief of the medical staff who insisted that the man be discharged. But the nurses hid him in a closet whenever a prearranged signal system warned them the chief was coming. Finally he heard of a job and left the hospital to take it. The job blew up in two weeks and he tried to sneak back, but this time the chief caught him and had him thrown out.

### Advantages of private hospitals

THE administrators of proprietary hospitals (hospitals organized by stockholders for profits) have, in certain ways, the fewest responsibilities. Some of their associates enviously describe them as managers of de luxe hotels. Provided the hospital shows a profit, they have no budget worries at all. As a rule, the proprietary hospital is likely to be smaller than voluntary or public institutions with a consequent limitation of employees and facilities.

Laymen often regard the proprietary hospital with unjustified suspicion, feeling that such an institution is the mecca of the dissolute rich who want no careful supervision of the public records concerning their illnesses.

This is not so! Many of the best proprietary hospitals enjoy an unexcelled medical standing—witness the world famed Mayo Brothers Clinic, in Rochester, Minn., or Doctors' Hospital, in New York.

There are legitimate reasons for the existence of proprietary hospitals. In the larger cities, many doctors have no affiliation with the staffs of either public or voluntary hospitals. They must have hospital facilities available. Besides this, in certain sections and in many small towns, funds are not available to maintain either a public or a voluntary hospital. The needs of these communities are usually served by a group of doctors who maintain a proprietary hospital.

Voluntary hospitals—that is, hospitals supported by philanthropic contributions, plus the payments of patients who are able to pay—carry on as much free or nearly free work as their budgets permit. Cases are referred to them by the city, known as "city cases," for which they are paid on a *per diem* basis; other patients, referred by friends, doctors and charitable organizations are carried free or at sharply reduced rates. Even on the "city cases" the voluntary hospital is only partially compensated. In New York, for example, it costs the city an average of more than \$5.25 daily for each patient in a municipi-



In the hospital the old gentleman remained a guest of the city for four and a half years



pal hospital, but the city only pays a voluntary hospital an average of \$3 daily.

Although the administrator of a voluntary hospital has few public political worries, he has to deal with private politics in the shape of his board of trustees. This board is responsible for the creation and maintenance of the hospital. Most of the trustees are wealthy men who contribute generously from their own resources to the institution. Others contribute legal, architectural, or other professional talents, or help obtain funds.

### Abuses of trustees

THE fact that the trustees do so much for the hospital leads to certain abuses. Too often a trustee thinks that he is entitled to interfere in hospital administrative matters. Among the more common practices are: interference with administrative procedure by giving directions to department heads without the knowledge of the superintendent; desire for personal aggrandisement, whereby the trustee seeks publicity and applause for the work of others; nepotism; favoritism toward specific patients; partiality in staff appointments; and making profits out of contracts with the hospital. Every one of these situations contains a bombshell which can wreck months of careful administrative work.

Fortunately, such practices are becoming rarer. And the public must never forget that the continued existence of the hospital depends largely on the trustees who must provide for the budget and the almost inevitable deficit. In most voluntary hospitals the superintendent himself need not go out for money directly, but he cooperates with his board to make fund raising easier. Where the superintendent's skill and tact are exerted to the utmost is in seeing that the patients who ought to pay do pay, and in being generous to those who cannot.

This is vitally important because a voluntary hospital must realize a substantial proportion of its budget from paying patients. Balancing the budget was never so hard as in the past five years because the rich are being slowly taxed out of existence. The hospital has to do more for nothing and has less to do it with than ever before. This results in endless chiselling. There are innumerable instances of women who leave fur coats and automobiles about a block from the hospital and then check into the clinics for free treatment.

There is the story of the man in the free ward who was finally revealed as

the owner of three apartment houses and two automobiles; of another man, enjoying free hospitality as a pauper, who was subsequently discovered to have \$20,000 in cash in savings banks. Recently the papers told of a man who had also received free treatment as a pauper, whose death revealed an estate of \$113,000 and a record of evasion of all state and federal income taxes for 21 years!



The superintendent agreed that uniforms could have frills. A nurses' strike was averted

Some hospitals belong to credit associations and check up on people telling hard luck stories. Others follow up through professional investigators or members of the hospital's social service staff.

Thefts are another hospital problem. Sometimes, as in every business organization, merchandise is stolen in bulk . . . in the hospital such merchandise is likely to be foodstuffs, drugs, or linens. But more often the losses are in a small but steady dribble. Both visitors and patients take "souvenirs." Occasionally an interne, at the end of his term, carries with him a microscope or a few instruments. Then there is "legitimate graft." The fatigued nurse, going back to her own apartment, remembers that her laundry has not been delivered and snatches a few towels; the surgeons help themselves to gauze and alcohol. A nibble here, a nibble there, mounts into an impressive sum for replacements.

Few business men realize the intricacies of hospital statistics. Some voluntary hospitals have bookkeepers concentrating entirely on their relations to the city and accounting for "city cases." Although many institutions are at present exempt from certain tax and labor restrictions, they

must gather elaborate technical data; segregating the various diseases treated, the age, sex and background of the patients, the type of treatment, the duration of the case, the medical history of the patient, X-rays, cardiographs, and the like.

Virtually every hospital has a separate "record office" for these statistics, constantly demanded by insurance companies, doctors, public health authorities, social service agencies, and countless other groups. This work, while ultimately of great benefit to the public at large, is a heavy financial drain on the hospital.

The public also forgets the university functions of hospitals which involve other administrative worries. Running a college by itself is regarded as a headache; running a college in conjunction with a hospital is two headaches! Many of our finest hospitals are "teaching hospitals," and either run a graduate medical school as an actual part of the hospital or have an affiliation with a separate medical school. Universities often have their own institutions.

And speaking of medical schools and students, every hospital today is putting increasing emphasis on the importance of autopsies, because it is only through autopsies of rare, doubtful, or complicated cases that more accurate scientific in-

formation can be gathered. It is part of the internes' work to persuade the families of free patients to permit an autopsy. This persuasion is not confined to free patients, but the doctors feel they have, perhaps, more right to argue with the family when the patient has had free hospitalization. Many internes allow their scientific zeal to overcome their discretion, and occasionally high pressure methods are used:

"If you won't consent to an autopsy, at least give us a post mortem."

### Problems are continual

AN old gentleman passed away at the age of 82 of a baffling disease. His widow, aged 78, agreed to permit an autopsy only if she were shown her husband's vital organs afterwards. To humor her, the superintendent said, "Yes, certainly!" and then forgot.

Two weeks later, the indignant woman turned up, flanked by two lawyers, and reminded him of his promise. Meantime the vital organs had been disposed of!

The superintendent rang for one of the doctors who had sat in on the argument, and, winking at him, said, "Where are Mr. ———'s organs, that

(Continued on page 111)



# Found: Milk Bottle with a Spout



The new dairy machine which makes fibre milk bottles and fills them in one continuous process

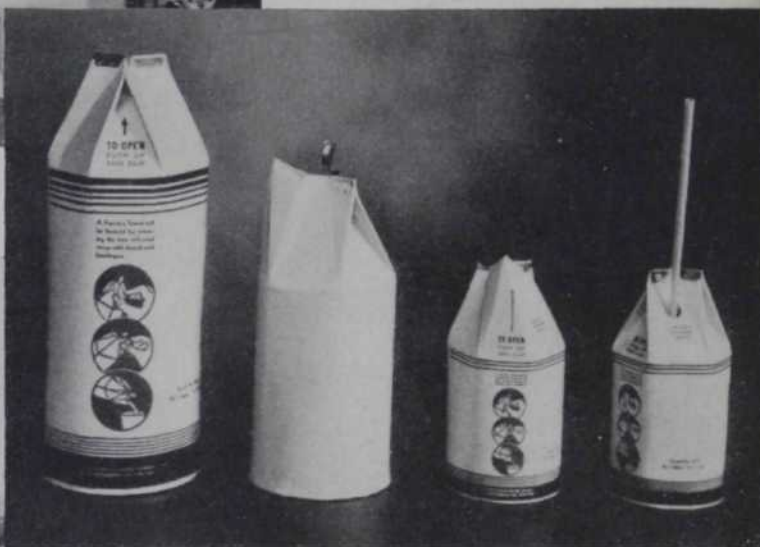


The spout permits easy pouring and can be tightly sealed after part of contents is used



Twelve empty fibre quart bottles with special crate weigh only two pounds, one ounce

Bottles can be made in various sizes to suit wishes of the consumer



**A** NEW machine for making fibre milk containers and bottling the milk all in one continuous operation is among the latest creations now being turned out by the General Machinery Corporation of Hamilton, Ohio.

Blanks made of pine or spruce fibre are inserted into a magazine on the machine and come out at the other end filled with milk and all ready for the distributor or consumer.

Immediately after leaving the magazine, the blanks are glued, molded, the bottom is inserted and spinned twice, caulked and sprayed with hot paraffin inside and out. Then the three-cornered top is crimped with an electrically heated hood, the bottle is chilled in a refrigeration unit and filled with milk from the pasteurization tank.

As the bottle approaches the sealing mechanism, three tin clips are automatically severed from a continuous roll and the capping instrument descends upon the three-cornered edges of the bottle's top, bends the tin clips over and seals the bottle airtight. Automatic controls prevent the flow of milk if a bottle is taken from the distributor chain. Similarly, if a bottle is missing en route to the sealing device, the automatic sealer will skip the vacant space. More than 50 bottles a minute can be manufactured and filled by one machine.

Prominent feature of the new container is the cap. To open the bottle, an embossed clip is lifted, the wings pushed back, and a press on the edges forces out the pouring spout. When milk is poured it goes over the inside edge of the spout and the contents will not come in contact with any outside portion of the bottle. To reseal the bottle a light push in the center of the pouring spout folds it back to its original position and the lifted clip may be put into its former place again.

Sponsors of the new container point to three particularly outstanding features of the new bottle. First, its paraffin coating helps to insulate the bottle and requires a smaller amount of ice in packing as well as preventing any paper or pulp taste from getting into the milk; the spout makes it easier to pour without spilling and prevents the cream from coming out all in one lump; the light weight makes distribution easier. Twelve empty fibre quart bottles with special crate weigh a total of two pounds, one ounce, compared with 36 pounds, five ounces of the ordinary crate with 12 empty quart glass bottles. An ordinary crate costs over \$1.00 but a crate for the fibre bottles costs only 2½ cents.



# The Plight of the Medium-Size Business

By ROY A. FOULKE

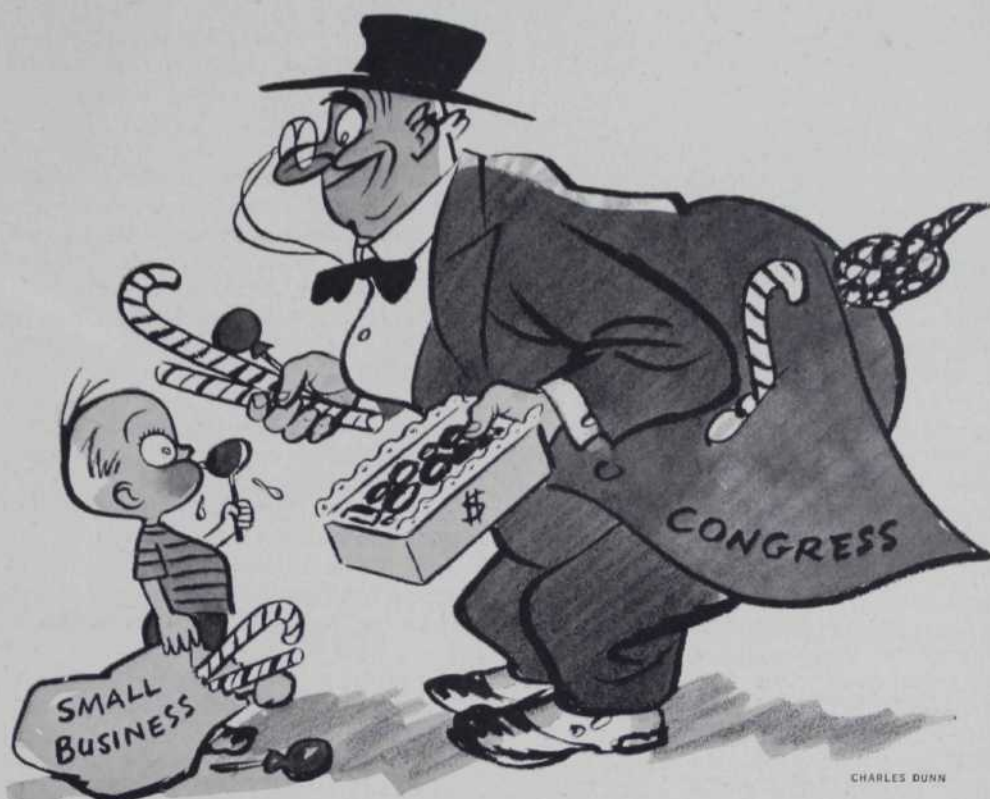
A MAN who studies the financial markets points out a fundamental American problem, an economic vacuum which is growing more important every day

PROBABLY no enterprise has ever made such an extensive variety of loans as the Reconstruction Finance Corporation; loans to carry figs, prunes, butter, pecans, and cotton; loans to commercial banking institutions to forestall runs; loans to closed banks to bail out depositors; loans to build bridges and aqueducts; to railroads, insurance companies, building and loan associations, and public school authorities; loans where the funds have gone to meet pay rolls, to assist in refunding operations, and to build income producing property.

These loans have ranged from \$27.50—a disaster loan to a blacksmith in Tennessee at the time of a flood—to \$208,500,000 to finance construction of a 240-mile long aqueduct in lower California. Over the seven-year period ending February 1, 1939, 7,371 loans totalling \$447,324,578 were authorized to *business enterprises*. Of these authorizations 2,720, or 37 per cent, were for \$5,000 or less; 53 per cent for \$10,000 or less, and 83 per cent for \$50,000 or less.

From June 19, 1934, when Congress authorized the 12 Federal Reserve banks to extend credit for working capital purposes to established business enterprises, to December 29, 1938, the Federal Reserve banks approved 2,653 applications for loans involving \$175,011,000. The smallest loan was \$300 to a small eastern retail grocer to replenish his inventory, and the largest was \$6,000,000 to an important middle-western industrial corporation. Approximately 23 per cent of these loans were for \$5,000 or less, 37 per cent for \$10,000 or less, and 77 per cent for \$50,000 or less.

Practically all of the commercial and



In the past year 14 bills have been introduced in Congress making credit available for small business whether it was needed or not

industrial business enterprises that applied to these two lending agencies were financially extended and unable to obtain any or sufficient credit accommodations from their depository banks.

## Loans for small business

IN the past year, it has been the small business enterprises that have received the fatherly attention and consideration of our national legislators. I have seen at least 14 bills which have been introduced into Congress providing that credit be made available, whether needed or not, with or without a 90 per cent guarantee against loss by an agency of the federal Government. Paternalism has been creeping up.

What is this organism that is so widely termed a small business enterprise? Is it a corner drug store with a net investment of \$500, a wholesaler of candy with an invested capital of \$10,000, or a manufacturer of shoes with a tangible net worth of \$200,000, or all of them? The Securities and Exchange Commission has raised this question for investigation but, as far as I know, has come to no published conclusion.

In July, 1939, there were 2,120,000 active commercial and industrial business enterprises in the United States; that is, concerns which manufactured, converted, assembled, imported, exported, wholesaled and retailed merchandise, and concerns engaged in construction activity. That number does not include other types of concerns such as railroads, public utilities, banks or financial institutions, insurance companies, personal holding companies, professional men or farmers.

Of these commercial and industrial business enterprises, 78.8 per cent have a tangible net worth of \$10,000 or less. According to a recent estimate, approximately 67½ per cent of all concerns in this entire group are retailers. For a modest portion of these retailers, bank credit is available. Most of them are restricted to the use of credit from their merchandise suppliers, with some additional credit obtained here and there when a piece of machinery, a refrigerator, or a show case is bought on the installment basis.

Economic activity in a capitalistic system is based upon the existence of this tremendous number of small business enterprises. It is also based upon



the existence of a steady flow of concerns in and out of the group, the liquidation of tens of thousands of these enterprises each year as they are unsuccessful, and upon a similar ease in starting new ventures. There is no other way, at this stage of our economic development, to obtain the refined distribution of all kinds of merchandise into every community, except by a gigantic development in the consumer cooperative movement, and that would put hundreds of thousands of small retailers out of business even if it might otherwise be desirable. It should also be kept in mind that it costs little to open a small retail store and that a substantial proportion of such concerns are operated from homes so that they take only part of the owner's time.

So I would stress the fact that small business enterprises are those which have a tangible net worth of \$10,000 or less. They represent 78.8 per cent of all active commercial and industrial concerns. It is hardly these business enterprises that are being considered when legislators, politicians, and economists talk about "small business." They are too small!

Now, on the other extreme, 2.5 per cent of all commercial and industrial business enterprises have a tangible net worth of \$500,000 or more. It is between these two groups—concerns that have a tangible net worth more than \$10,000 but below \$500,000—which represent the business enterprises that have really been receiving

the attention of Washington. The concerns within this bracket represent 18.7 per cent of the active commercial and industrial business enterprises of the country.

### Credit for medium concerns

OVER recent years a feeling has grown up that enterprises in this middle group have not been able to obtain adequate financing. The statement is, of course, a broad one. To analyze it, we must remember that there are really three broad types of credit: short-term credit, long-term—also called intermediate—credit, and permanent credit, otherwise known as capital financing.

A concern in this intermediate-size group—that is, with a tangible net worth between \$10,000 and \$500,000—in need of short-term credit would always go to its bank. If the concern was financially healthy, it would have no difficulty in obtaining the loan. If it was not, the banker would try to obtain some form of adequate security so that it would be good business for his bank to make the loan.

In the past three to five years, progressive bankers have gone out of their way to find methods and techniques for making such loans safely and securely. If, however, no adequate basis could be arrived at, the concern could then go to the Reconstruction Finance Corporation or to one of the Federal Reserve banks as these institutions do not need or require the same degree of liquidity as local commercial banking institu-

tions, and they have been and are able to extend loans to marginal risks.

The second type of credit is long-term credit. Here we have a different story. During the past five years, the larger commercial banks have shown a tendency to make what has come to be known as "term loans," a banking policy previously considered unsound.

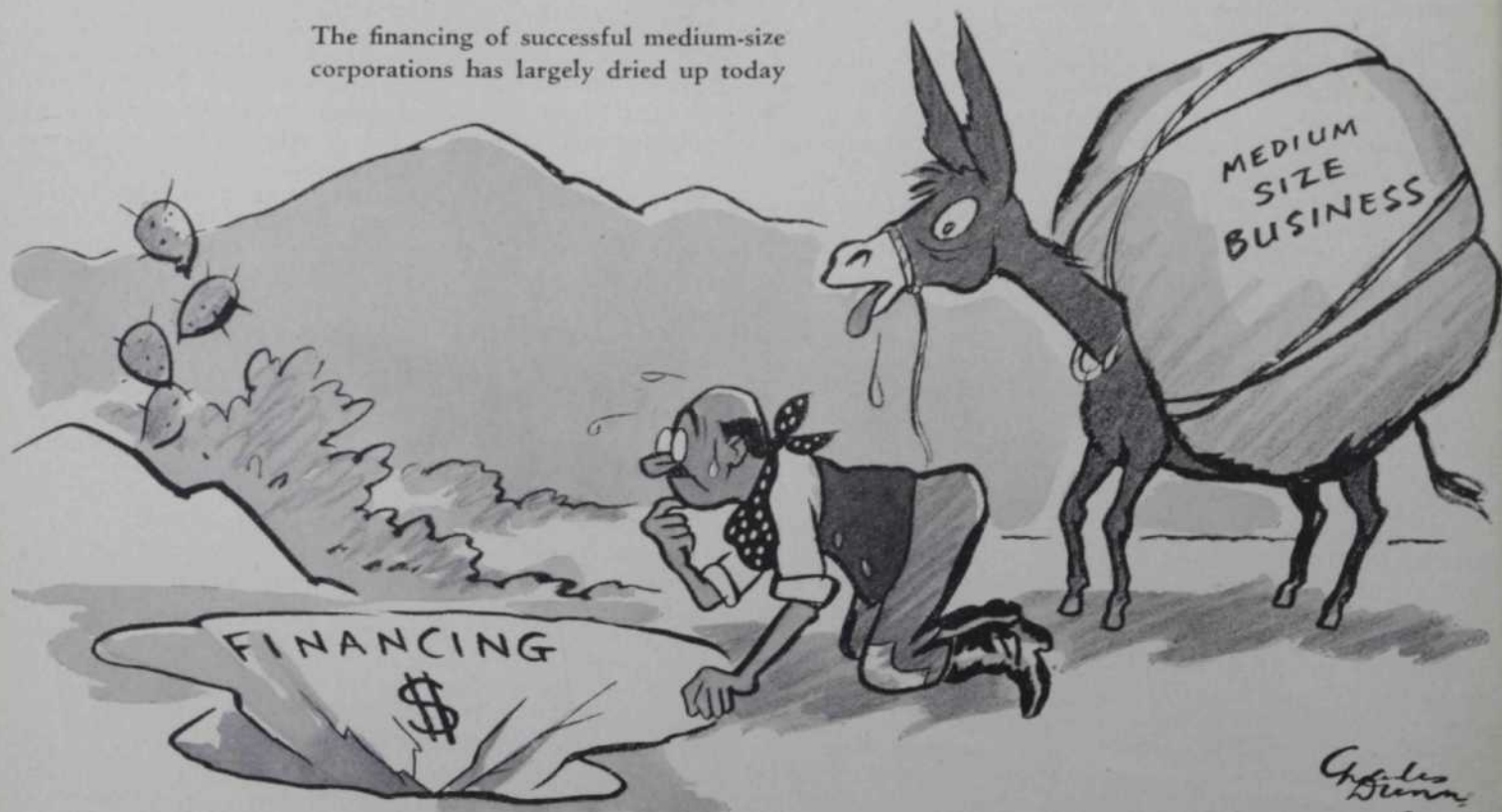
Term loans are a form of long-term credit. They run mostly from three to five years, although occasionally such a loan is granted for ten years, generally reduced by annual or semi-annual installments. Such loans have been made primarily by the larger commercial banks to outstanding, successful, nationally known corporations at low interest rates to retire funded obligations carrying higher rates, for plant expansion, and for working capital.

Concerns in the intermediate-size group have been able to obtain long-term funds in the form of mortgage money if they owned real estate and fixed assets acceptable to insurance companies, building and loan companies, or local savings banks. The market for mortgage money is freer than ever in our history. Few intermediate-size concerns have obtained "term loans" from their depository banks.

Loans for working capital purposes can, moreover, be made by Federal Reserve banks with the maturity up to five years and the Reconstruction Finance Corporation has made loans to business enterprises up to 20 years.

We are finally left with two problems  
(Continued on page 108)

The financing of successful medium-size corporations has largely dried up today



Charles Dunn



# Here's one way to increase profits this year

## ✓ CHECK UP ON WAYS TO SAVE IN YOUR OFFICE

Savings made by conserving time and effort in office work are an easy and immediate source of additional profits.

To help you effect such savings this year, Burroughs offers definite and practical suggestions for locating and eliminating useless, costly operations that handicap employees in the efficient and economical handling of office records.

The local Burroughs office will be glad to furnish you complete information about the very latest ideas and developments for making office savings—and to aid you in determining how you can avail yourself of them most profitably.

### GET YOUR FREE COPY TODAY!

This new Burroughs booklet, "Ways to Save Time in an Office," suggests how certain operations, including those mentioned in the check-list at the right, might be shortened or eliminated to get the work done in less time, with less effort, and at less cost. For your free copy, write on your own letterhead to—

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# Burroughs

☐ Are all the reports produced in your office actually used?

☐ Do you type and compute an invoice in separate operations—or do you use the new equipment that does both jobs in one operation?

☐ Is your office organized to handle "preferred attention" items without disturbing the normal flow of work?

☐ Are you able to complete accounting jobs the same day they are started, or does your present system pile up figures for a month-end peak?

☐ Have you ever studied at one time all forms in use in your office to check for duplications, reference value, sequence of information, and posting procedure?

☐ Do you save time by using tables of interest factors, decimal equivalents, etc., in calculation work?

☐ Do the machines used in your office have the recent advancements that eliminate mental calculations, extra copying, rehandling of figures, etc.?

☐ Are your accounting records maintained in such a manner that statistics are available quickly, without separate analysis?

☐ Are there periods of inactivity on certain desks due to clogging of work at other points?

☐ Have you investigated recent developments for preparing in one operation related records that are now being prepared separately?

☐ Are office employees obliged to find their work in different places, or does the work flow to each desk in a normal, orderly process?



# Young Partners With Henry Ford

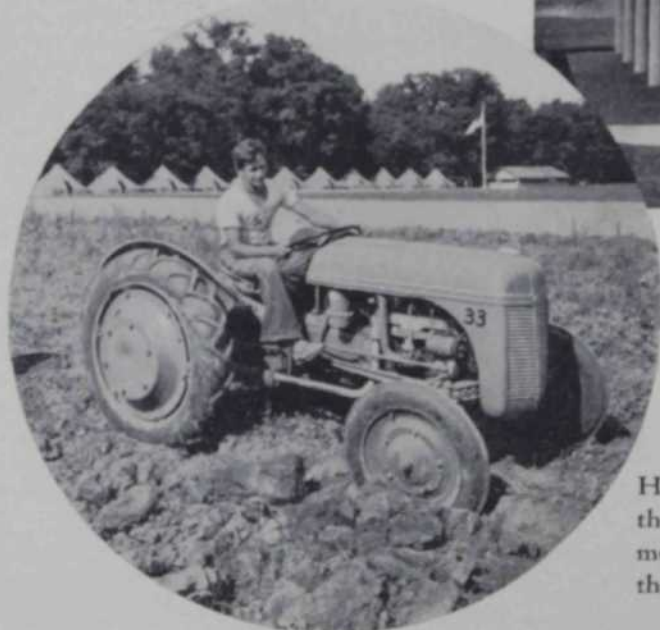
By WALLACE A. SCOTTEN



The boys hired carpenters to build the chapel where they conduct their own services



Produce raised at the camp is sold at roadside stands. At the end of the year the boys share the profits equally



Henry Ford provided the land and implements. The boys did the rest

**E**ARLY one spring morning a year ago, a slight, silver-haired man whose boundless energy belies his 75 years, trudged a half-mile across the freshly plowed fields from his suburban home to a row of 12 army tents and sat down amidst more than a hundred laughing, chattering boys in a rustic mess hall to eat a 6:30 breakfast. There he partook heartily with them of hot cereal, figs, poached eggs, and buttered toast. Little more than a week before, hardly a one of the boys clustered about him had ever experienced the thrill of a breakfast that is little more than com-

monplace in the average American home.

At the table the silver-haired gentleman joked and talked about the weather, crops, and markets. He visited the boys often, in their fields or at the roadside stands where they sold the vegetables they grew.

Scene of this event was Camp Legion near the Ford automobile factory at Dearborn, Mich., where, for the past two years, underprivileged boys from back streets and blighted areas of Detroit and nearby communities have accepted wholeheartedly the oppor-

tunity to "take a new lease on life." With Henry Ford—the man who often visited them—they now share a firm conviction that America's future lies, not in foreign parts, but in the scientific laboratories of the nation, and in its land.

Two years ago, Henry Ford turned over 300 acres of rich farm land near his home to 35 sallow-complexioned, underfed, and discouraged boys, gave them implements and seed and told them to make a go of it. He paid them \$2 a day wages for seven hours, six days a week and said they could have the profits from their crops at the end of the season—after they had repaid what he had staked them.

Anyone who knows Mr. Ford would never suggest the latter provision was mercenary. Far from it; it was the basis of providing the boys an opportunity to work for themselves. And work they did.

Mostly the sons of deceased or disabled war veterans, these 17- to 19-year-old youths, selected from welfare



# "Say, Mr. Clark— what is an Actuary?"



SUPPOSE YOU WERE being shown through the Home Office of a life insurance company and came to a door lettered "Actuary." Perhaps you might be puzzled as to the meaning of the word.

Of course, if you turned to the dictionary, you would learn there that an Actuary is "one whose profession is to calculate insurance risks and premiums."

► This definition is correct, as far as it goes. But it falls far short of picturing the true scope of an Actuary's activities.

Nowadays his profession is highly specialized. It is a profession in which a man may hope to gain recognized standing only after years of intensive study and training. For he must have a thorough knowledge of the three complicated factors on which life insurance premiums are based... Mortality, Interest, and Expense.

For example, in order to arrive at premium charges which will be both safe and fair, the Actuary must make detailed analyses of the past and present death rates among many different groups of people. From these studies, he is able to compile mortality tables which provide



an amazingly dependable yardstick for his guidance in computing premiums.

► The Actuary must also take into account the interest rate which the company may reasonably undertake to earn on the investments it makes for the benefit of its policyholders.

And in a mutual life insurance company, such as Metropolitan, the Actuary prepares data which enables the Board of Directors to determine the annual divisible surplus which will be returned to

the policyholders in the form of dividends.

Another of the Actuary's duties, together with the legal staff, is to draw up the policy forms issued by the company.

He keeps running records of such important matters as mortality... the ages and occupations of people insured... the company's experience on outstanding policies. He also assembles data needed for the preparation of the Annual Statement, which is submitted to the proper state authorities, and forms a public record of the year's activities.

► In short, because of the nature of his work, an Actuary might well be defined as the "engineer" who helps design the "product" a life insurance company offers... and then figures out what the policyholders should reasonably pay for the benefits provided by their contracts.

COPYRIGHT 1940—METROPOLITAN LIFE INSURANCE COMPANY

*This is Number 22 in a series of advertisements designed to give the public a clearer understanding of how a life insurance company operates. Copies of preceding advertisements will be mailed upon request.*

## Metropolitan Life Insurance Company

(A MUTUAL COMPANY)

Frederick H. Ecker, CHAIRMAN OF THE BOARD

Leroy A. Lincoln, PRESIDENT

1 MADISON AVENUE, NEW YORK, N. Y.





lists, were among those who graduated from high school to discover there "just aren't any jobs around" or who had been peddling papers to bolster a scanty family budget. Few of these city boys had ever trod a farm acre before they went to Camp Legion.

### Beginning outdoor life

UNDER the supervision of a genial director—an old-time boxer—who came from the sociological department in Ford's plant, and fed by a chef brought from one of the motor magnate's freight ships on the Great Lakes, the first boys went to work in early 1938. They built and graded a gravel road in front of the wood-floored army tents that were their homes; they put up the tents and assembled a mess hall. Then they dug irrigation ditches and fought mosquitoes with kerosene sprayers. Finally they cleared the underbrush from the woods that fringed their camp and fields.

Through the days that followed they often worked in rubber coats and boots because it frequently rained—cold and discouraging rain which gave a dark outlook to the prospect of farming. But they did the job and were rightfully proud of it. Soon their efforts bore fruit. Before they harvested their first vegetable crop, Mr. Ford built a roadside market for them on the main Detroit-Chicago highway nearby.

When Camp Legion closed in 1938, the Camp's personnel had grown to 64. When the boys made a final accounting of their sales, they found they had marketed 60,000 ears of corn, 6,000 bushels of potatoes, and tons of other vegetables. The Ford Motor Company had bought 3,000 bushels of soy beans from them at the market price; and a sizable crop of buckwheat, sowed on land that

in early summer had grown half a ton of peas, matured in time to be ground in Ford's early-American grist mill in Greenfield Village, and sold at a profit. Ten hives of bees which they had set in the buckwheat made 1,000 pounds of honey.

Vegetable sales at their roadside stand averaged \$150 a day all summer and, after repaying Mr. Ford all he had invested in their venture, the boys divided equally the farm's net profit of \$6,000. Each received nearly \$100, in addition to his two-dollar daily wage. To their credit, most of the boys then placed their little nest egg in interest-bearing accounts at the Ford employees' bank. Needless to say, in almost every case, a good portion of the daily wage was sent home to needy families.

But the story doesn't end here. These youths had learned what it means to work—by working for themselves. In the fall, their camp director took them to the Ford Rouge plant, where they were offered an opportunity to enter the factory's apprentice school, study mechanics, electricity, chemistry, or

other subjects for which they might show an aptitude. There they worked while studying, earned \$4.20 a day and when they graduated or reached the age of 18, became full-time Ford employees at the \$6 Ford minimum pay.

Last spring, another group invaded Camp Legion, while 65 additional boys started the construction of a second camp called Willow Run Farm, 15 miles away. There, also, the Company has harnessed a tiny, winding stream and is constructing another of its Village Industries. In 1939, Camp Legion grew to 360 acres and the newer camp was equally large. With this increase in land, plus improved methods, the 131 young farmers sold 60 varieties of vegetables, trebled the output of the first year's group, and earned more than \$100 each in addition to their daily wages.

When a Detroit newspaper man, visiting the camp last summer, found Mr. Ford in the fields with his boys he queried the industrialist regarding his object in founding the camps. He hoped, Mr. Ford said, that they might be rec-

*(Continued on page 86)*



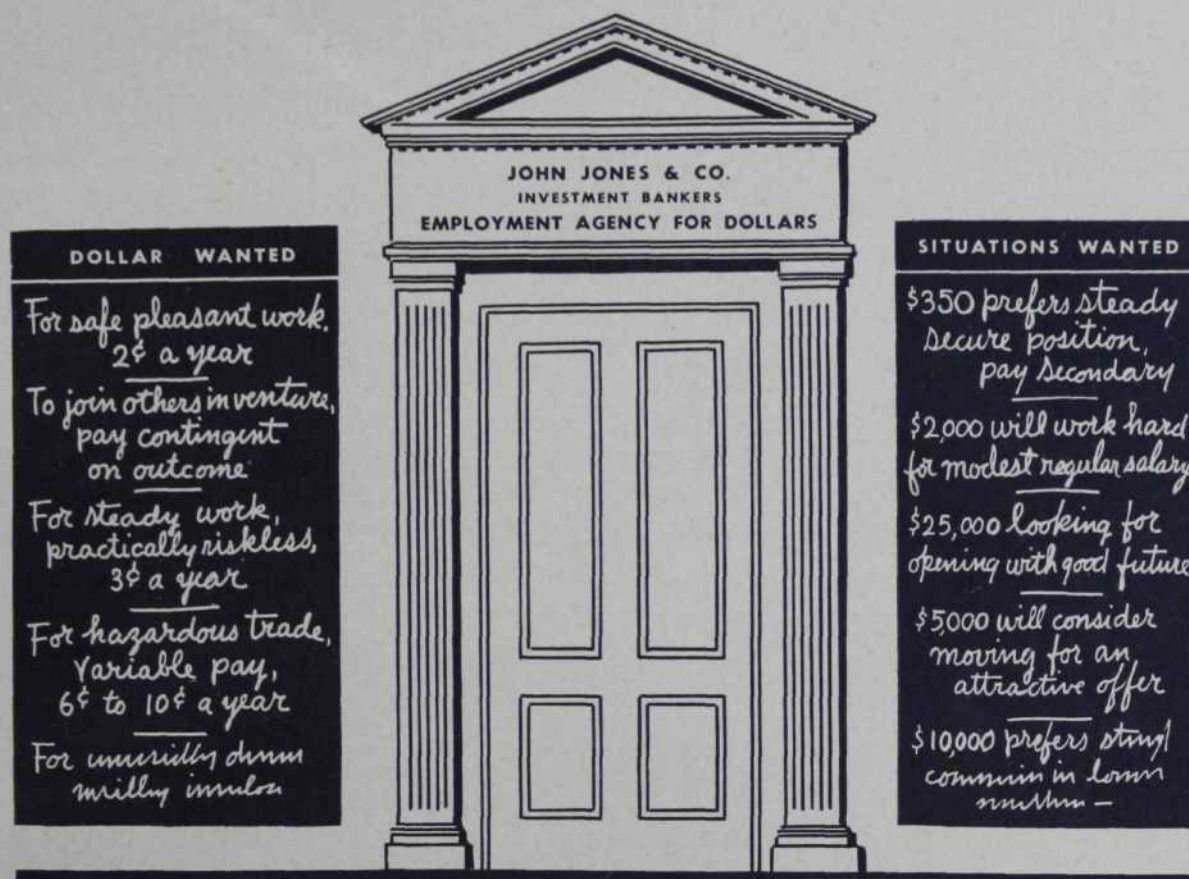
The camps provided most of the boys with their first jobs. The majority sent their \$2 daily wages home to their families



Cooks from lake steamers prepare the meals. Many boys gain as much as five pounds the first week in camp



# The CASE for INVESTMENT BANKING



A REVIEW of the accomplishments of the institution of investment banking, together with an interpretation of relevant developments now shaping in the field of public policy



## The Rally to Realities

MOST OF OUR ills are the result of fundamental misunderstandings of business, its functions, limitations and contributions. It is unsafe to rely upon a returning prosperity or a political change to correct such misunderstandings. Suspicion and hostility will continue so long as business men fail to speak in rebuttal of demagogues, so long as they neglect to keep before the public a constructive interpretation of the business process.

There is yet time. The public attitude toward business is changing. The punitive spirit of the early 'Thirties is giving way to a willingness to listen, an eagerness to understand and, with understanding, a desire to encourage once more business enterprise.

Manifestations of this trend are everywhere in evidence.

It was shown recently in two state elections that there are more people who mistrust the economic nonsense of Browder and Townsend than there are who follow such political rain-makers. From various quarters comes the heartening news that a majority of men at work are still loyal to their jobs and to those who make their jobs possible. A skepticism is growing of

"money magic," and there is a shift back to the realities, that only work will produce more and more things for more and more people, and this spells the abundant life.

It is for members of the business community to say whether free enterprise is to endure. Free enterprise is the culmination of man's age-old struggle to be a free spirit. It came to fruition in America—freedom of man to explore, freedom of the dollar to put on overalls and choose its job. It is in the American tradition that only in this way can progress come—not from the top down, from the District of Columbia, but from the bottom up.

The tide is running strongly here, as in the rest of the world, toward political control, with the attendant loss of the individual's freedom of thought and action. The slide toward Socialism is apparent. Socialists boldly announce that control of the people's savings is three-fourths of Socialism.

It is with this in mind that *Nation's Business* presents this month *The Case for Investment Banking*, the second of its series designed to reveal trends and implications in the field of public policy.



# The Case for Investment Banking

Perhaps in general it would be better if government meddled not farther with trade than to protect it and let it take its course. Most of the statutes or acts, edicts, arrêts and placards of parliaments, princes and States, for regulating, directing or restraining of trade, have, we think, been either political blunders or jobs obtained by artful men for private advantage, under pretense of public good.—*Benjamin Franklin.*

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ANOTHER MANIFESTATION here of the world-wide struggle between political forces and private enterprise is the attack upon investment banking. The issue is as simple as that described last month in "The Case for Insurance." Who shall direct and control the use to which the savings of the people shall be put? Two schools of thought exist. Any discussion of the two must be approached in a spirit of seeking light rather than generating heat. No intelligent appraisal or sensible decision will be reached in an atmosphere of partisanship or by indulging in personalities. Principles are paramount and sincerity must be attributed to proponent and opponent alike.

"Capital allocation" is one of the many mouth-filling phrases which the depression threw up on the beach. It sounds like something new, but it isn't. The theory that political agencies should control capital, should allot the savings of the people, is the axle upon which turns the Communistic wheel. But it is not confined to Karl Marx and Communism; it is also the hub of other theories of social organization—Fascism, Nazi-ism, Socialism.

The result in any case is the same. It is capitalism. But, in the one, it is the free system of American capitalism; in the other it is, broadly speaking, state capitalism. It is free in the one because it is voluntary; it is compulsory in the other, no matter what name is given to it.

We are moving toward political compulsory control in America. The nation must, sooner or later, decide the issue. The decision will determine many other national questions.

Simply, again, the issue is: Who shall bring together the savings of the people and put them to work? Who shall allocate them, decide for what purposes they shall be used, spent or invested, and where geographically? Shall it be done by the agencies of the market place, including the banks, as in the past, or shall it be done by a political board or bureau?

Increased employment and continuity of employment have been made possible through putting savings to work wisely in wealth-producing enterprises. To keep our people at work, the development of new enterprises must go on. In this generation we must not only create industries but must lay the groundwork for developments to be made in the next generation. In our time we must create new enterprises exceeding in magnitude those of the past generation,

## The road to socialism

There is a sort of snowball tendency about this kind of interventionism which has no limit but complete control of all trade and industry. It is clear that . . . the State will be driven to adopt closer and closer control if the schemes are not to break down from evasion of their rules. . . . But the tendency of extension of control does not operate only within the industries already partially socialized. It works just as conspicuously outside this sphere. . . . And so new controls are instituted. It is the overwhelming verdict of theory and war-time experience that, once governments start to control important branches of industry, if they are not willing at some point definitely to reverse their whole line of policy, there is no stop to this process short of complete socialism.

But is this a tendency we wish to avoid? It is not clear that this is the attitude of the present leaders of opinion. Socialism is a term which is not universally popular. But "planning"—ah! magic word—who would not plan? Yet, if planning is not a polite word for giving sectional advantages to particular industries, what does it denote but socialism—central control of the means of production?

—Lionel Robbins in  
"The Great Depression."

## Two A.B.C. definitions

Much of our misunderstanding is caused by the use of big words. But, if economics is defined as the process of making a living and capital is described as the tools with which a living is made, there is little room for pompous controversy, or little possibility of impressing the general public. In essence, economics and capitalism are just that simple.

—Dr. W. W. Cumberland, *Economist*,  
Wellington & Co., New York





BROWN BROS.

*Only when risk-takers themselves can reach the supplies of venture money can the standard of living be raised. When Samuel F. B. Morse carried his first telegraph instrument to Washington to give it to the Government, the Post Office Department reported to Congress that the idea was "impractical" and the political agency we call government was only reflecting the ideas of the people back home*

### Eating up the seed corn

What is already going on in political allocation of savings is indicated by the recent course of events. Out of each dollar deposited in the banks, political agencies have borrowed and spent 30 cents as against ten cents ten years ago. Of each dollar invested by insurance companies, political agencies have borrowed and spent 24 cents. Only five cents was so borrowed in 1930. Government I.O.U.'s have taken the place of securities representing dollars at work in wealth-producing enterprises. Here is one reason employment has not improved, because government allocation of funds is largely for "overhead" expense, not wealth production and its reproduction.

great as we recall those to be—the motor, the radio, rayon, electrical appliances, and other employment-giving enterprises. Losses will be incurred inevitably. But the theory—and it has been proved by 150 years of practice in the United States—is that the losses will be more than offset by brilliant successes.

In the past ten years political agencies have, as "emergency" measures, largely supplanted our democratic private agencies in collecting and allocating the people's savings. Whether this is good or bad is a clear-cut issue. As a starting point to the discussion, we face the tragic fact that, in this decade, we have made no net addition to our industrial plant equipment and its auxiliary commercial services. In our whole history this is the longest period in which such a condition has obtained.

During this decade, political agencies have collected, have borrowed against the credit of all the people, and have spent a many times greater proportion of the people's savings than was the case at the turn of the century.

Scrutiny by thoughtful citizens of this growing power of political agencies to handle our savings should bring consideration of such questions as:

Has a political agency the ability to make a correct distribution of the risk that always must attend investment in new enterprises?

Is such ability equal to the aggregate judgment of the market places over this broad land?

Will such government operations be determined by political favoritism? Can political agencies dare to take the burden of some inevitable failures in the face of our election system?

Ours was heretofore the truly democratic way. The choice and responsibility were left with the millions of people themselves. Our machinery for this was for their use and, through this machinery, they placed in our industrial expansion and the development of new enterprises hundreds of billions of dollars over the past 75 years.

In the 30 years beginning with 1900, this process added nearly 20,000,000 persons to the gainfully occupied.

### "Making America over" by political authority

THE AGITATION today is for a new allocator. What those who advocate a change actually mean is that the allocating should be done by political authority, officeholders, and not by that group of men who have skill and experience. Government, in other words, should take over this function as an essential step in the reconstruction of society in accordance with a purposeful plan, the plan of "making America over."

*John Q. Person, the average American, speaks:*

"We want to bring idle men and idle money together," says the President, and we all agree. That problem being settled with hearty good will, I can rest easy.

"I haven't got \$1,000,000,000, you see, so these academic questions don't bother me much.

"But, if you're talking about \$1,000, yes, I've got that. And what I know about investment banking and stock exchanges and the prob-



lems of the nation's financial system could be engraved on a dime. I'm just a run-of-the-mine citizen. Perhaps I ought to know about them."

### No mistakes—no progress

WHAT DOES the average American think about investment? Does he want political agents to do the thinking? What is his opinion about buying and selling stocks? Does he want to forego ownership and let government do the owning? What is his view, nowadays, about risk-taking in the hope of a profit? Does he realize that the effort of government to make investment safe has created a greater hazard than it sought to prevent—that the movement to reduce the risk through regulating the machinery of investment, praiseworthy and useful in intent, can go so far as to repress or strike down creative enterprise, which has its very roots in risk? Our people as a whole can be deterred from taking risks and saved from making mistakes but, in that act, they will be prevented from undertaking those brilliant ventures in which a single success will outweigh many mistakes and from which alone industrial progress can come.

It is fair to ask whether the great pause in our industrial expansion is not the direct result of the huge shadow of government looming up as the sole risk-taker, the sole profit-bearer, the universal adviser and regulator. If that shadow has fallen across the thinking of the common man who might otherwise invest his money, it may be one of the forces which is holding back the idle money that could put idle men to work.

What do Americans want to do about their savings? Do they want to use their own judgment, as in the past, and that of their trustees, the banks and insurance companies? Or do they want a political mentor at Washington to invest them according to his vagaries concerning the best interests of all: to build dams for electric power, to enable a federal corporation to sell electrical appliances on an unduly long term installment plan, to build houses in rural areas for tenants, to assist municipalities in purchasing parks and swimming pools, to make loans that subsidize the inefficient and handicap the self-reliant?

They may desire it this way. They may approve of this use of their savings. Americans may agree with the advice of political leaders; that they have made too many mistakes in their private judgment. One thing is certain! Risk is proportioned to profit. Profit is proportioned to risk.

You cannot make an omelet without breaking eggs and many a nest egg was cracked in getting new industries started. Take the automobile industry, for example. The first car was produced within the memories of this generation. Exactly 1,501 different makes of cars have been offered on the American market. What percentage survives? Some of the early ones were—these are actual names—the Kerosene Motor Surrey, the Buggy Car, the Bugmobile, the Horsey Horseless Carriage. The last had a wooden horse stuck out in front to fool the horses, because frightened horses were considered a serious threat to the future of the industry.

### All except X

Many ingenious names appeared among the 1,500 automobiles that fell by the wayside. Here is a partial list which covers every letter of the alphabet except X: Autocar, Bartholomew, Chicago, Dort, Eclipse, Friedman, Goeth, Hammer, Ideal, Johnson, Kansas City, Lozier, Meteor, Northwestern, Omaha, Perfex, Quinlan, Rambler, Sturtevant, Tinchler, Upton, Vixen, Wasp, York, Zentmobile.

### Clear up the fog!

We must make clear to all that it is our function to assemble the necessary capital funds for modern business and public work; that we buy the securities from the issuer and sell them either directly to investors or indirectly to individuals through the medium of insurance companies, savings banks, and other investing institutions; that, in this manner, investments are provided for the savings of the American people, and the users of capital get the funds they need to expand and grow and employ workers.

—Jean C. Witter, Dean Witter & Co.,  
San Francisco, former President of the  
Investment Bankers Association of America



UNDERWOOD & UNDERWOOD

Funds flowing from savers through investment banking soon made both this automobile and the road it travels obsolete



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H. ARMSTRONG ROBERTS

*The small operator may never wish to offer stocks or bonds, or to buy them. Yet, somewhere along the line, investment banking touches his business—his machinery, supplies, equipment would be less efficient without it and his livelihood less certain.*

### Self-regulation by free enterprise

What is this "Market Place?" It is a testing ground of values as shown through a myriad of 500,000,000 exchanges each day of goods, services and labor. Some \$1,200,000,000,000—yes, one trillion, two hundred billions of dollars—in checks are cleared through the banks in 12 months. In addition, currency—pocket and till money—accounts for \$7,500,000,000, which is constantly turning over day and night.

Investors lost much money in these short-lived ventures. But how serious would have been the loss to the country if the raising of capital for this business which was at first highly hazardous had been discouraged or prevented by well-meant regulations for the protection of investors.

Government cannot make investment safe for democracy. No! Because then it wouldn't be a democracy. It would be something else.

### Average American wants a profit

LET'S GO back to the average American who says he has \$1,000 to invest. He may own a small store. He tells us that of course he wants to own something outside of the store, just as a matter of diversification and safety. He will invest in something one of these days when the times are right. Just now he doesn't see anything that looks particularly good.

He says he might put it into Government bonds, but there isn't much yield in those. They're safe, of course—unless we get too many of them. He guesses his grandchildren and maybe their grandchildren will be paying them off with their taxes.

What he'd like to find, he says, is something he could make a profit on. He built up his store from mighty small beginnings until it paid him a good living and something more, and there must be other things that will start small and grow big. New ideas are coming on the market all the time; the chemical companies, for instance, are bringing out new products, and there are items of all kinds that he sells in his store that are new, but they catch on and make profitable business for him.

Here is where investment banking steps in.

What is investment banking? Why is it so important to the well-being of John Q. Person and his business or job?

Business concerns thrive when they are drawing in new capital. And a thriving business that is using capital to add to its plant in John Q. Person's community is adding names to the pay roll in Personville.

Investment banking is the pipe line through which savings gathered into pools from innumerable rivulets are made available to finance the growth of old and new businesses.

Like most businesses, investment banking starts with selling. So, go to a securities salesman for a down-to-earth description of it that any business man will understand.

### Mr. Star Salesman speaking:

What is investment banking? Another case of the have's and the have-not's—only different. Almost everyone saves money in some form, maybe through insurance policies, savings accounts, annuities, or plowing it back into his business. Many invest in other people's business by buying bonds and stocks. These people are the have's. The have-not's are the men who need money to build or enlarge factories, power houses, and all kinds of business establishments. Cities and counties and states that need money to build schools, highways, bridges, and sewer systems are in the same "have-not" category.

The owner of savings isn't willing for his money to go irretrievably into brick and mortar. He wants to treat it as a reserve and it must be



available in case of emergency. The builder of plants, on the other hand, has to have the money for a definite period; generally for a number of years.

Their conflicting needs can be harmonized, however, through the investment banker who does this:

From the builder of plants he buys pieces of paper acknowledging that the plant-builder has received a certain amount of money. This paper may be bonds or stocks, according to the contract on which the money was provided. He sells these securities to Mr. A, one of the "have's," and to a great many others. Should Mr. A want money for these securities the next day or next month, he can resell them. That would mean that some investment banker would have to hunt up someone else who wanted to own those particular bonds or stocks.

In most instances, the investment banker actually has to go out and find both the original buyer and subsequent ones. He and his salesmen go through lists of prospective buyers—their "clientele"—offering them securities as any other salesman offers his merchandise.

In a relatively few cases, when the builder of the plant whose name is on the securities is a U. S. Steel or a General Electric, enough people are buying and selling more or less continually to support an auction market. In those cases, the securities are listed on stock exchanges. That is what stock exchanges are, essentially, auction markets. All the other kinds of buying and selling of securities make up what is called the "over-the-counter" market, meaning simply "not on a stock exchange."

There are about 525,000 business corporations in the country. Probably 100,000 have issued securities for which there is either a broad or a limited market.

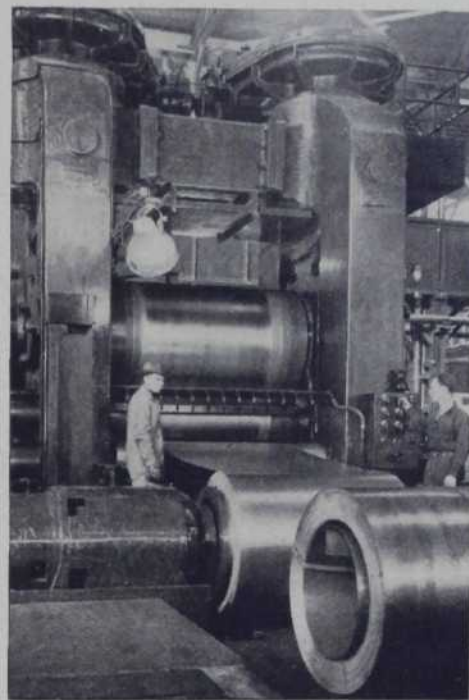
Where there is "public" ownership, the corporation needs the service of the machinery for buying and selling securities. Its core consists of a few thousand—actually something less than 7,000—"dealers in stocks and bonds," scattered from coast to coast. Included are the so-called "originating houses," which negotiate the financing for the largest corporations. They might roughly be compared to the "wholesalers" in a merchandising operation. Then there is the somewhat more numerous type of investment banking house that has several branches, some that stretch from coast to coast, with large staffs of salesmen working out of each office. The greatest in number, however, are the smaller organizations. In the whole United States, only 125 investment banking houses employ as many as 100 persons.

The large local house, such as will be found in all the larger cities, represents an intermediate category. Salesmen and representatives from these houses cover the smaller cities in a broad surrounding area, calling on individual securities buyers, the banks and other financial institutions.

### Creating a market place

THESE FEW thousand offices, connected with each other by telephone and telegraph, and encompassing in this network the stock exchanges, constitute the physical machinery of the investment banking and security brokerage business.

This machinery creates the market place for the securities of the "publicly owned" corporations. It provides the *marketability* which distinguishes securities from any other medium of investment.



Some \$22,000 of investment was needed to provide jobs for the two steel workers shown here. Bringing the money together would have been a tedious task without modern financial machinery

### Formula for recovery

No program or policy which government could institute could approach in effectiveness an alert, progressive and relatively unhampered entrepreneurship when it comes to lifting the nation out of depression.

—G. W. Dowrie, Professor of Finance, Stanford University

### Give enterprise a chance

The one thing needed is some sort of guaranty that the era of economic vivisection is over, so that enterprise can get up off the floor, dust itself off and go to work without the ever-present fear of being blackjacked.

—Neil Carothers, Dean, College of Business Administration, Lehigh University



### How businesses grow

At the T.N.E.C. hearing, January 8, Sen. William H. King of Utah asked Walter E. Sachs of the investment banking firm of Goldman, Sachs & Co., whether some companies had not been "babies" when the bankers first financed them. Mr. Sachs said:

"Yes sir! Many of them were very, very much smaller. I could show you a balance sheet in our office of a middle western company in 1897 showing a net worth of \$275,000. Ten years later we bought \$10,000,000 of their seven per cent preferred stock. Today the company makes an annual profit of \$40,000,000. We are very proud of that record."

He might have shown how Sears, Roebuck, now owned by 50,000 stockholders, has 50,000 persons on its pay roll and sells each year \$500,000,000 worth of the products of farms and factories that employ hundreds of thousands more workers. He might also have said that the profits over the years, for risking the capital and providing the employment, are in reality little more than an interest return on the investment. Certainly this is true of most businesses, even highly successful ones.



EWING GALLOWAY

*The public knows worse than nothing about the country's financial machinery because most of what it knows ain't so*

This benefit could not be obtained easily by John Q. Person without the help of an important part of this machinery, the stock exchange. Someone has said that the mind of man has never devised anything so ingenious. The irony of it is that John Q. Person supports it, uses it when he pleases, always finds it available and yet knows worse than nothing about it because what he does know ain't so.

But nevertheless the stock exchange is as easy to understand as a community vegetable market. It is just a place with a lot of empty shelves, a place where people can put things to sell and find people who want to buy, and where there are some people trained to help John Q. meet a buyer or seller and agree on a bargain.

It is not like his store which has an inventory of goods to sell to those who want to buy. The stock exchange does not own any securities or offer them for sale. It does not make prices.

The transactions which come to it originate with somebody who wants to buy stocks or bonds. When his offer reaches the floor of the exchange, it is matched with an offer to sell which has come in from somebody else. These buyers and sellers may live anywhere in the United States and may be placing their orders in cities as far apart as Boston and San Francisco. But, by telegraph, the buyer and seller meet in a moment and shake hands through the aid of a broker without ever having seen each other.

The amazing mechanism for transacting these bargains with the utmost speed has been worked out by experience during the nearly 150 years of the exchanges' existence. Although simple in its essence, it is so complicated in its details that the newcomer to the exchange gets an impression of hopeless confusion and of a Niagara of roaring noise which sends him away more baffled than when he came in. But fix in your mind the picture of a farmer with a basket of apples meeting a house-wife who wants to buy apples, and being helped by somebody who knows the values of various kinds of apples and how the deal should be made. It is really as simple as that.

The brokers who own seats on the exchanges are the ones who match the buying orders with the selling orders. They pay a price for a "seat"—though they do their work standing up—and thereafter, through yearly dues, pay the costs of operation.

### The Stock Exchange at work

A TYPICAL transaction may originate in Detroit, with a brokerage house of that city which is a correspondent of a New York "commission house," that is, a house which itself maintains brokerage offices in several cities. A customer places an order with the Detroit house which wires it to the New York house, which in turn transmits it to one of its partners who has a "seat." It may happen that more orders are coming to him than he can attend to at the moment and so he passes it on to other brokers who make a business of handling this kind of transaction. Thus, in this case, there are four steps in actually placing the order on the floor, each step having been performed by a type of house or individual who carries out his particular function.

It is first of all a *public* market, fully regulated in the interest of



customers, conducted under rules carefully enforced by governors who are constantly present on the floor and by committees which continually review transactions, adopt new rules, and punish transgressors. Its voluntary regulation is stringent and the disclosures of fact which it requires of corporations have set the pace for "truth in securities." The price of each transaction and the amount of shares traded appear with magical speed upon the "ticker" and are flashed to every part of the country as an instantaneous guide to buyers and sellers.

It is a *continuous* market, where trading goes on in such volume that a price quotation for a security may be had at any moment. This at least is its purpose, though, when the volume of trading is low, the market becomes "thin," quotations are not quickly available, and gaps may appear between quotations, which discourage buyers and sellers.

It is a *liquid* market, a market where you can sell a listed security in a moment if you have a doctor's bill to meet or if you want to shift to another investment. You don't have to hunt for a customer, you don't have to haggle over a price—you find there the biggest collection of buyers in the world, and a price which is at that moment the "going price" of your stock or bond, for everybody in the world. Were you ever "stuck" with something you couldn't sell? Then you'll appreciate how we in this country are usefully served by a liquid market.

### Few buyers mean low prices

NOW WE are in a position to understand why overregulation in the effort to cut down "speculating" may hamper free enterprise. Some of the regulations imposed on the exchange by government have had the effect of preventing active trading and have tended to produce "thin" markets. To discuss these regulations in detail is quite beyond the scope of this article. But any man can understand that, if he put up his household goods at auction and only a few buyers appeared, he would have to take any price that was offered. If there are many buyers or, in other words, active markets, there will be a "going price" for anything he wants to sell—or buy.

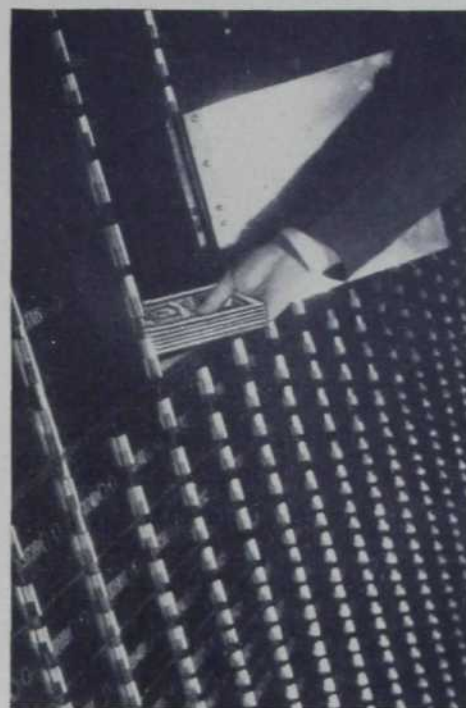
Active markets are in the public interest. Regulations designed to prevent abuses should not be carried to the length of stifling the market.

Now we reach an important step in the discouraging of new investment offerings through overregulation.

No one wants to buy something he can't sell, unless he intends to consume it. Investment houses will not bring out new issues unless there are active markets because they know that the first purchasers of these securities will not assume their ownership unless they have a chance later to sell them.

Securities commonly pass through the hands of owners who assume a greater risk until the securities are "seasoned" by proving their earning power, until finally they can take their place in the broader market.

Unless the security buyers are manifesting an interest in owner-



*Because the stock exchange provides a nation-wide and continuous market place, the owner of these securities may readily turn them into money any time he chooses*

### Funds can't flow

Our capital market is prevented from functioning as the medium of financing enterprise because of cumbersome and excessive regulation. Less interference would give the capital market a breathing spell permitting the development of the basic conditions necessary for the flow of funds into a broad range of productive outlets.

—Melchior Palyl, formerly Professor of Economics, University of Chicago

### Useful citizens

Effective public policy must be based upon a recognition that the suppliers of venture capital and the initiators of new enterprises are pretty useful citizens and that we need many more of them. The world needs to be a friendlier place for the risk-taker in private business and he needs to have the high morale which he can only get when the community looks upon him as a benefactor.

—S. H. Slichter, Professor of Business Economics, Graduate School, Harvard University





EWING GALLOWAY

The village blacksmith got along very well without investment bankers or the stock exchange, unless he was a man with a new idea. In that case, only daring dollars could lift his brain child from obscurity to human service

### What Ten Years?

The doctrine of regulation and legislation by "master minds," in whose judgment and will all the people may gladly and quietly acquiesce, has been too glaringly apparent at Washington during these last ten years. Were it possible to find "master minds" so unselfish, so willing to decide unhesitatingly against their own personal interests or private prejudices, men almost god-like in their ability to hold the scales of justice with an even hand—such a government might be to the interests of the country; but there are none such on our political horizon, and we cannot expect a complete reversal of all the teachings of history.

—Franklin D. Roosevelt, in 1932

ship, investment bankers will not bring out new issues because they know that these issues will not be absorbed. The chain of ownership may be long and may appear complex, but it is as simple as a country auction of household goods—the more buyers, the fairer the price.

Hardly anyone understands money—it is too complicated. Few people understand investment banking and security markets—they don't believe they need to. All they want to do is place an order with a dealer or broker, and few of them understand what happens after they place it, while many are so ignorant of the way of acquiring this form of ownership that they never seriously think about it.

### Public sets the price

THE PUBLIC must understand the ABC's of security markets and must get rid of the notion that they exist only as gambling houses for a few rich men, in which the public sometimes takes an ill-advised whirl.

There are estimated to be 20,000,000 persons in the United States who own securities. The investment banking machinery stands ready to help convert any one of the securities of any one of those individuals into cash on short notice. And the banker does not fix the price. That is set by what Mr. B in Boston or Mr. D in Denver is willing to pay Mr. M of Middletown for XYZ Corporation bonds or stock.

These functions call for a high degree of professional skill, integrity and intelligence. They should be carefully weighed against any proposed alternative financing method.

To avoid vague discussion of theoretical economic functions and to make the issue comprehensible, consider a hypothetical company, the National Krock Company, with a hypothetical problem. The company wants to build a new mill to convert raw clay into pottery. Mr. Krock, the president, goes to an investment banker and says:

"We want to build a new mill. It will cost \$10,000,000. Once it is built, we can effect savings and increase our business so that we can add \$1,000,000 a year to our earnings, pay our investors a better return and give our customers a better product. How can we get the money?"

The investment banker analyzes the company, its product, potential market, and standing in the field. Outside experts are engaged to check technical details and future prospects. If it seems that the company is sound and its plans conservative, the investment banker will suggest what kind of securities—or what combination of securities—seems best suited to the company's needs and the preferences of the investing public.

When that is settled, the banker suggests a price, and a coupon rate, if a bond, or a dividend rate, if a preferred stock, fair to both the company and the public. If Mr. Krock and Mr. Investment Banker agree on the type and price of the security, the latter may have to *guarantee* to get the money for the company and probably will, if bonds are to be used; that is, back up his judgment that the public will buy the security by offering to buy it himself at a discount from the price to the ultimate buyer.



In that event, he assumes the risk of realizing on his large commitment by ultimate sale to investors.

The investment banker also assumes strict liabilities that the securities are all that is represented. He has joint responsibility with the issuer for the truthfulness and completeness of the representations.

Of course, he does not guarantee the ultimate investor that the security will always remain at the price at which it is bought. It may go higher or lower. To the extent that appreciation or depreciation is due to fluctuating interest rates, the constantly changing opinions as to relative values, new laws, new and unpredictable changes in styles, or acts of God, no investment banker or any other human can control them. Not even the United States Government can effectively guarantee the stability of security prices, not excluding its own.

More significantly, however, the public is likely to hold the investment banker accountable for any future weakness in the company. There is always a tendency to blame such a condition on his lack of judgment. How often he can make a mistake depends on the circumstances. But a very few errors—or even one bad error—may eliminate him entirely from the business. He may lose both his customers and his good will and, without these, his capital—even if he keeps it—is useless. Thus, in fact or in effect, he backs up with his own money the judgment he has given both to his immediate client and to his ultimate customer.

To the buyer, in effect, he pledges not only his reputation, but his stake in the investment banking business that the security offered is basically sound, irrespective of intermediate price changes. To the sellers, in many instances, he guarantees that the security can be sold by buying it himself.

### Men work when dollars do

OF COURSE, in the case of large capital issues, more particularly bonds, the amount involved is too great to be bought by one investment banker alone. In such case, the investment banker who has originated the issue associates with himself other underwriters who agree with his judgment on the style, type and price of the security and who, therefore, back up their opinion by buying a part of the issue.

When this underwriting group, or syndicate, has been formed, it then offers the security to dealers—"farming out" the sales, as it were—and the dealers sell direct to the investors or to distributors and salesmen for resale.

In this way a new issue of securities is created and distributed. In this way corporations seeking long-term money and investors seeking long-term investments are brought together through the function of the investment banker.

With what ultimate result in terms of human values? One man put it in this way:

In a small frame house in an industrial city, gloom is replaced by self-confidence, as Jim, coming home, shouts to Betty in the kitchen:

"Say, I've got good news! Krock is building a new mill over on

### Release driving power

The most important aspect of domestic policy is the release of the driving power of private capital.

—Harley L. Lutz, Professor of Public Finance, Princeton University

### To quote the Apostle of "Spending"

Economic prosperity is excessively dependent on a political and social atmosphere which is congenial to the average business man. It is the return of confidence which is so insusceptible to control in an economy of individualistic capitalism. This is the aspect of the slump which banks and business men have been right in emphasizing and which economists who have put their faith in purely monetary measures have underestimated.

—John Maynard Keynes, British economist, who sold us a bill of goods



EWING GALLOWAY

Men can work only if dollars do. According to recent estimates, an average of \$8,000 must be invested for every man put to work in industry



### Where jobs come from

Of the thousands of inventions of the past 50 years, 18 today are responsible for nearly one-fourth of present employment in this country. In the beginning, most of them were viewed with derision. Few of the inventors could have gained a popular vote of confidence to go ahead with their efforts. No one could have selected the successful 18 from among their contemporaries. Yet, under a free enterprise system, men willing to take a chance supported the winners—and many of the losers, as well—with the result that the public, sometimes in spite of its own inertia, gained a better standard of living. The successful 18 were:

- Electrical machinery, apparatus and supplies
- Motor vehicles, not including motorcycles
- Motor vehicle bodies and parts
- Rubber tires and inner tubes
- Gasoline
- Rayon and allied products
- Manufactured ice
- Aluminum manufactures
- Typewriters and parts
- Refrigerators, mechanical
- Cash registers and adding and computing machines
- Cottonseed oil, cake and meal
- Aircraft and parts
- Phonographs
- Photographic apparatus and materials
- Motion picture apparatus except for projection in theaters
- Asbestos products
- Radio



LAMBERT

*Somebody's investment makes this workman's pay check possible. If he puts part of it in a savings account, the Government will borrow 30 per cent of it from the bank to spend as it pleases*

the north side and I've got a job there. I start work tomorrow."

Miles away, in Steeltown, Tom throws open the front door and calls to Mary, "You can have that new dress, old girl, and Tommy his suit. Why? There'll be steady work for some months. The shop has gotten a big order from Krockville."

### Average "spread" is small

BUT, HOWEVER good and however beneficial this may be to business and the public, there are other pertinent questions. What, for one thing, does it cost? Well, the gross spread, which means the total margin of difference between what the investment banker pays the issuer and what he receives from the final purchaser, has been three or two per cent on the great bulk of new securities offered in the past few years. The efficiency of the present investment banking machinery can be judged by comparing these figures with the markups customary on any kind of commodity from producer to consumer.

Obviously, each member of each group that handles the flow of capital represented by a new issue of securities is entitled to a fee for his work and his risk. Then why the occasional yammer about it?

When the papers announce that a \$10,000,000 bond issue was quickly sold, the general reader seldom visualizes the hard planning, technical ability, careful negotiations, risks or the scattered but nevertheless well organized army which contributed to the success of the transaction.

If he notes that the gross profit to the bankers was two per cent, he may stop to figure that it means \$200,000; and that may seem to him rather good pay for a morning's work if he assumes, as he is likely to do, that it goes into the pockets of the well creased trousers of a few gentlemen of almost complete leisure.

Remember that out of that "gross" comes the pay of the thousands of salesmen, clerks, stenographers, messengers, office boys, janitors, from Maine to California, whose living depends on the profits from this and similar transactions. In addition, landlords, attorneys, printers, the telegraph and telephone companies, and many others have an interest in that same gross profit. They all get a portion of it. And, not to be forgotten, the busy tax collector, who keeps after all of them.

Some persons believe that bankers buy an issue at one price and then sell it for whatever higher price they can get, thus making all the profit or "spread" that the traffic will bear. That is a completely wrong conception. The "spread" is a fixed amount negotiated with the company and agreed upon before the public sale. When the company signs the final contract, it knows, before the sale, both the price it will receive and the price at which the issue will be offered to the public. Furthermore, the "spread" is fully disclosed to investors at the time of offering.

It is to be remembered that, in an advancing market, dealers realize only the stipulated commission. Before the advance occurs, they have sold all their bonds in the ordinary case. But, in a declining market, such is not the case. In other words, the profits are limited, but the losses are not.



Persons who have carefully considered the actual work and service done for the modest commission on new financing say that it does not cover the risks assumed by the investment bankers. Any part of it not needed for overhead is merely compensation for the quality of professional judgment that knows how to eliminate an uncompensated risk.

Anyway, for a very modest hire, industry employs a handmaiden. That is the position of investment banking in relation to other business. Its social significance arises from the fact that, through it, capital is voluntarily *enlisted* for profitable productive business which *enlists* voluntary labor. The alternative is, of course, possible. It is possible to *draft* capital by forced loans and to *draft* workers into labor battalions.

As the handmaiden of business, the institution of investment banking is called on to justify its position on its record of accomplishment. It arose with a need.

An Irish linen merchant, Alexander Brown, founded the establishment that probably is the oldest investment banking house in the United States. The firm is known as Alex. Brown & Sons. Its founder landed in Baltimore in 1800 with a stock of linen brought from Belfast, Ireland, and within a few years built one of the historically great trading and shipping businesses. To linen importing he added exporting of cotton and tobacco, then ships to carry his goods, and, as an adjunct, a banking business to clear the financing of commercial transactions that reached every civilized port of the early nineteenth century.

### Birth of the railroads

WRAPPED UP in the commercial success of the young country, he was naturally an ardent supporter of the Bank of the United States and when capital was needed for the second bank, chartered in 1816, he bought shares himself—but he also sold shares to wealthy Englishmen and others known to him through his world trading operations. So, he tapped an outside capital supply for the money-starved states.

Similarly, he opened markets abroad for the securities of the states and cities which needed amounts far beyond the meager resources of their own citizens during those early days of road and canal building.

On February 12, 1827, some 25 citizens of Baltimore met at the house of his son and partner to start the program that led to the building of the Baltimore and Ohio Railroad, the first important railroad. Railroad history shows that his backing and banking were indispensable to the success of that project, just as investment bankers have been indispensable to every forward step in the economic development of the United States since the days of horse-drawn trains.

Only when they are kept busy meeting the capital needs of expansion programs do we have prosperity. Thus the busiest period in their history followed the World War, when reconstruction of our neglected physical equipment used prodigious sums of capital



BROWN BROS.

*People who saw this, the first locomotive to run in this country, laughed at the idea that railroads might carry goods and people twice as fast as stage coaches. And it was one of our first investment bankers, Alexander Brown, of Baltimore, who made the railroad a reality*

### Why Government can't pioneer

Early railroad history demonstrates the public's resistance to change which is reflected today in greater or lesser degree toward novel projects. The British Parliament passed a law forbidding the laying of track upon which Stephenson's locomotive was to run. The mob almost put the inventor in jail. Lord Derby turned out his farm hands to chase Stephenson's surveyors off his estates. Lord Sefton did likewise and the Duke of Bridgewater threatened to shoot them on sight. Because his surveying instruments were broken so often, Stephenson hired a prizefighter to carry them. The conservative *Review* said editorially: "What can be more palpably absurd and ridiculous than the prospect held out of locomotives travelling twice as fast as stage coaches! We should as soon expect the people of Woolwich to suffer themselves to be fired off in one of Congreve's ricochet rockets as trust themselves to the mercy of such a machine going at such a rate. . . . We trust that Parliament will, in all railways it may sanction, limit the speed to eight or nine miles an hour." The Parliamentary committee did all in its power to obstruct the measure. The leading scientific councils openly declared that this "untaught and inarticulate genius," Stephenson, was mad. Not only would these locomotive engines be a terrible nuisance, "in consequence of the fire and smoke vomited forth by them," but "the value of land in the neighborhood would be deteriorated by no less than 20,000 pounds." The most eminent engineer in



England, Mr. Giles, solemnly declared that no engineer in his senses would attempt such a project.

The public was appealed to. Ministers of all denominations met in Manchester and declared the locomotive "in direct opposition both to the law of God and to the most enduring interests of society." Medical societies declared that "The air would be poisoned and birds would die of suffocation." Landowners were sure that the preservation of pheasants and foxes was no longer possible. Householders were certain that their houses would be burnt down; horse breeders, that horses would become extinct; farmers, that oats and hay would be rendered unsalable; innkeepers, that inns would be ruined. Passengers, that boilers would burst.

In our own country a board of school directors refused the use of the school house for a debate on the question of whether the railway is more of a benefit than an evil to society, "because, if God had intended man to travel at a speed of 12 miles an hour, He would have indicated so in Holy Writ."

A horse beat a locomotive in a match race and the people scoffed.

Yet, because some men were willing to take risks that promised a return on their investment and had the money to use for that purpose, the railroads were born. Had the question rested with the electorate, and with their representatives, or appointed "allocators," the world might well be riding in stage coaches today.



H. W. PIERSON

*Because some men dared take a risk and no government told them they couldn't, thousands of jobs were available last year as the railroads spent \$93,000,000 collected for them through equipment trust issues*

and corresponding amounts of labor and material with the inevitable results of wide-spread well-being throughout the country.

States and cities borrowed a total of \$14,000,000,000 from investors in the course of ten years, first to provide schools, public buildings and improvements that had been skimmed during the war, and later for their hard road programs.

In the same period, the public utilities came to the capital market for more than \$11,000,000,000, primarily for the purpose of building generating capacity and transmission lines for supplying electric light and power. Electrical service was available in less than 6,000,000 homes when the war closed and, by 1928, more than 19,000,000 homes were wired. Pay rolls of the power companies had grown from \$95,000,000 in 1917 to \$367,000,000 by 1927.

For rebuilding the war-time industrial equipment of the country and then extending it to new dimensions, all other business had to have almost \$20,000,000,000 in the ten years after the war. With these funds, capacities were increased until by 1929, 48 per cent more physical volume of production could be added to the output of 1919. In this expansion, factory employment rose 36 per cent from its low in the post-war depression and factory pay rolls increased 62 per cent.

### Buying with a whoop

ACTUALLY, of course, ownership of stocks and bonds is a novelty to Americans. Not until the campaign to sell Liberty Bonds in 1917 did any number of the people wake up to the possibilities of security ownership. Then, in 12 years, they passed from ignorance to awareness—and to disillusion. All might have gone well had they bought carefully, thoughtfully. Instead, they bought in the good old American way, with a whoop and a holler, just as their fathers too often bought land in an expanding nation, on hope, without investigation; buying lots in cities where no cities ever were, tulips in Holland, mulberry trees and inflating the Mississippi Bubble. The ignorant found many to take advantage of them, and the wisest were seldom wise enough.

But hindsight says there was overinvesting in the '20's. And the "crime of the '20's" becomes the battle cry of business baiters.

That is natural. It was an awfully long time ago that someone said, "You can't indict a whole people." In this case the people were guilty of mass misjudgment and who is to say that out loud? Only a very brave man! The only way to turn the distress of the depression to political capital was to find a scapegoat. What more logical candidate than "the money changers" entrenched in greed?

It is hard for anyone to think back now to the New Era when the country was on a "new plateau of high prices that would be permanent." The American people subscribed to that theory because it fitted their inherent buoyancy of spirit that has pushed us ahead fast—sometimes too fast—and which is only in temporary eclipse now. It will reassert itself. Vestiges of it were visible in 1936 when a ray of light penetrated the tunnel of hard times through which the people were groping their way.



But, under the delusion that all things—wages, prices and profits—were going to new highs, the American people set out to put a valuation on securities that would take the new levels into account. Some bankers fed the fever because of their own overexuberance. But so did statesmen, actual and so-called. The bankers who didn't subscribe were "old grouches, sore because they had missed the boat."

For the anvil chorus, it's "Twenty-nine shall never die."

The nation has never before witnessed such a general and continuous muckraking of our business life. Passions have been aroused, suspicion and hostility, even anger, have been brought into play. Thus, unwittingly, we have weakened the faith and confidence of the people in the very institutions and processes they must use to bring back prosperous times.

In condemning business evils, we have condemned business as evil.

We have overlooked or disregarded a great truth, expressed succinctly by a noted sociologist many years ago:

The greatest fallacy in human logic is to attribute to the present social or economic systems those problems which arise from the nature of man himself.

In our eagerness to promote the cause of national economic planning, we have overemphasized "those problems which arise from the nature of man himself." We have played up the unusual and infrequent episodes and made them appear as major defects of the free enterprise system. After this faulty diagnosis, we have followed with a prescription that the American system must be supplanted by some other.

### Bankers were made villains

YOU will recall that we began with the bankers. They were non-social money-changers "to be driven from the temple." Our investment bankers, without conscience, were charged with appropriating the mite of the widow to buy dubious foreign bonds. Citizens who lent their savings and who took mortgages as security were skinflints without benefit of clergy. Some cases of dereliction, where bad judgment was the rule, were used to indict the system itself.

It should be pointed out that there was an abundance of laws to take care of illegalities.

Nevertheless, it was inevitable, after 1929, that added safeguards should be developed for the machinery of investment, that is, for investment banking and the stock exchanges—safeguards adopted voluntarily by the institutions themselves as well as those placed upon them by government.

Voluntary self-regulation methods now affect all brokers and dealers and the exchanges. Many of them were developed since the hurried passage of the federal Securities Acts of 1933 and 1934, and the very fact that they exist warrants a review of the early legislation to find parts that are unduly hampering.

After six or seven years of experience with this legislation, it would seem that the time has arrived to determine whether "safe-



EWING GALLOWAY

*The Villain of 1929! Campaigns designed to rouse public emotions need catch phrases. It is not easy to hate 7,000 investment banking firms. It is easy to hate "Wall Street," although Wall Street is your home town*



### Legislating insecurity

We need a complete change of concept with regard to the proper function of government. In our effort to obtain safety and security for everybody, we have succeeded in getting insecurity all around. In our effort to share wealth by shortening hours and making payment for abstaining from work we have reduced the abundance which should have been our lot.

—J. W. Bell, Professor of Money and Banking, Northwestern University



The public ridiculed the Wright Brothers' efforts to fly. Would government, in the face of this attitude, have dared "allocate" funds freely enough to have built today's aviation industry?

guards" have proceeded too far, even to the point of interfering with the operations of the investment banking facilities, including the exchanges. The business community generally, investors and the Congress have a decided interest in any necessity for correcting the regulations in the light of experience and of the constructive developments that have taken place in the investment banking field in recent years.

No one can study the Securities Acts of 1933 and 1934 without recognizing their punitive spirit. No one can wonder at that spirit who remembers the grave abuses and personal derelictions that preceded 1929. But no one who knows the higher personal integrity of the financial community as a whole can doubt that acts adopted in such a spirit would work hardship on multitudes of honest men and, what is of more importance, would at least run the risk of operating against the economic interest and the real welfare of the millions of investors whom those men serve.

In the rush to legislate honesty into everything, the existence of all the old laws was forgotten.

The present federal regulation of the business of buying and selling securities did not hatch in a vacuum. Lots of laws and regulations were already in existence when it was born. In fact, the sound principle of "full disclosure" that is the backbone of the regulation is codified from old, reliable, common-law prohibitions against fraud. Also, it was superimposed on laws in practically every state providing regulation of the securities business.

The men engaged in the business would be the last to contend, however, that there was no occasion for federal action. True, they would prefer the kind that would trap the rats in the basement rather than burn down the whole edifice to exterminate them.

Cynics who contend that all business men oppose all regulation for the joy of opposing are confounded by the record in this case. The Investment Bankers Association of America, national organization of dealers, nurtured the body of Blue Sky Laws in the states by a strong advocacy of a model uniform law. Furthermore, as long ago as 1920, 13 years before the first Securities Act was passed, the I.B.A. was trying to get a federal statute that would be a capstone for the laws that it had encouraged states to enact. That is a page from the record.

### Legislating in haste

THAT isn't all. Business men generally, through Better Business Bureaus, Chambers of Commerce, Investors' Protective Bureaus, provided voluntary fraud-fighting agencies. Business contributed more than \$1,000,000 a year to the support of these vigilante organizations that aided and supplemented official activities.

Political exigencies may dictate that reforms be made when the electorate is indignant. Even so, the panicky haste with which the first grants of control over investment processes were so sweepingly given to the federal Government in 1933 and 1934 is surely added reason for a reconsideration now.

It will be remembered that the so-called Truth-in-Securities Act



was passed just 60 days after President Roosevelt's message to Congress recommending federal supervision. The far-reaching and complex Securities Exchange Act, with its epochal grant of powers, was enacted less than 90 days after its introduction.

### Cracking nuts with steam hammers

BY WAY OF CONTRAST, the British appointed a Company Law Amendment Committee in 1925 and allowed its technical experts to deliberate almost five years before comparatively insignificant amendments were adopted.

After its study, the committee said:

It appears to us, as a matter of general principle, most undesirable, in order to defeat an occasional wrong-doer, to impose restrictions which would seriously hamper the activities of honest men and would inevitably react upon the prosperity and commerce of the country.

It also spoke of its "unwillingness to use a steam hammer to crack a nut—and possibly miss the nut and break the entire machine." The fear of giving the public a false and dangerous sense of security was given as additional grounds for governmental aloofness.

The common law is used to preserve good practices in England. France depends upon the criminal and civil codes to an even greater degree. In Holland, too, regulation successfully rests on the general criminal statutes.

But, despite similar fraud laws in the United States, despite state Blue Sky laws and the S.E.C., the public, it was thought, was still in a state of mind to warrant further punitive measures against the "Villain of the 'Twenties."

So the stage was set. The Temporary National Economic Committee was born. To it came Prof. Alvin H. Hansen of Harvard University and Lauchlin Currie—who is now the President's economic adviser—and declared that private investment could no longer keep the economic machinery running. With elaborate charts and statistical tables they told the T.N.E.C., in effect, that the era when thrift and saving were virtues was at an end. People saved too much, and the private investment banking outlets were no longer adequate to put these savings to work.

Upon the basis of their pessimistic reasoning, the answer was obvious, and Messrs. Hansen and Currie did not hesitate to give it: "Let the Government do the investing."

Their answer was neither new nor surprising. It was not new because socialists have been making the same answer to problems for decades. It was not surprising because, for seven years, there has been an atmosphere in Washington of Government-do-everything. This attitude was now to engulf the field of investing.

How would the Government go about "investing" the country's savings? Of course, since 1931 the federal Government had been borrowing billions of dollars from the country and spending them to pay the bills which the Government couldn't meet out of its tax receipts. This, indeed, was a grand method of solving "oversaving." The funds were borrowed and spent, and the Government promised to pay them back later.

### Unsound panaceas

Efforts to increase money returns must give way to a program of improving the purchasing power of existing incomes. In our impatience to achieve quick results we have indulged in an orgy of unsound panaceas. To eschew these is difficult in a political society that tests every measure by its immediate consequences. But the mere announcement of a policy calculated to be helpful in the long run might in itself be the tonic that would enliven enterprise even in the near term.

—H. L. Reed, Professor of Economics,  
Cornell University



BROWN BROS.

Most likely this woman never heard of investment banking and yet it played a large part in developing sanitary plumbing and the modern kitchen which makes the back yard pump unnecessary today





H. ARMSTRONG ROBERTS

*The British Parliament, considering a street lighting measure, would not consult Thomas A. Edison because he had "no scientific standing." Yet, because Edison was able to find backers willing to risk their money on his ideas, the electric industry, which will spend 600,000,000 job-making dollars this year, was born. What might have happened if the power and light idea had been obliged to depend upon "political allocation"?*

### One drink calls for another

The essence of governmental economic planning is the belief that government is responsible for the state of business, that it is the duty of government to have full employment at all times, that government must employ special measures with every flagging of industrial activity, that readjustments to correct mistaken economic policies must never be permitted. The call is for more, and more, and more of these activities as the evils growing out of past activities of the kind become more and more glaring. The juggler must put a new ball in the air every week and his activities must grow increasingly frantic with each new ball.

—Benjamin M. Anderson, Jr.,  
University of California at Los Angeles

The federal Government had built power plants to compete with private companies. It had offered loans to cities if they would build municipal power plants and distributing systems where private companies were already operating. Highways were being built, harbors dredged and leaves raked in parks on a scale which had never been seen before. To do all these things, the federal Government had been living beyond its means. For a decade, the Government had had an unbroken series of annual deficits.

Those who thought that the Government must take over the investment of individuals' savings were willing to travel this road of deficit borrowing indefinitely. If the Government would only borrow and go into debt fast enough, prosperity would return, according to their new doctrine.

They were not troubled by the fact that the Government's borrowing soaked up funds which might have been used to finance private enterprise. Didn't their charts and statistics prove to their satisfaction that private enterprise could never restore prosperity? Then why worry about government absorption of investment funds? The charts proved it was necessary.

### Bureaucracy takes a hand

THUS, advocacy of government spending became the early activity of those persons who believed that government should supplant private industry as the channel for directing the savings of the country into investment. They called for blank check appropriations from Congress to be spent on public works and work relief programs. Bureaucracy would decide whether the people's money should be "invested" in a homestead development in the West Virginia mountains or for harnessing the tides at Passamaquoddy.

Rising congressional opposition to uncontrolled spending programs, especially after the elections of 1938, put a crimp in the deficit as a device for diverting the flow of investment funds from private channels to Government hands. Some of the most energetic advocates of government spending on the grand scale admitted that the Congress and the country wanted no more of this panacea. There must be something new.

Just what this new device for letting the Government direct investing may be is not yet clear. The Washington air is full of ideas, plans and cure-alls.

They stem from the central idea of bringing the nation's investments under government control. By selling bonds or by levying taxes, the Government diverts to itself funds which ordinarily would go into banks, savings institutions, insurance companies or investment securities. The streams of capital running through private channels dwindle. The life blood of investment banking is drained away.

There is another array of suggestions for putting the Government into the investment banking business. Of these, the one with the greatest political appeal is the suggestion that the Government finance "little business" because, the bureaucrats insist, the private commercial and investment banking system has "failed" to care for the interests of the small business man. As usual, the proposed



cure is for the Government to move in, taking over much of the field of investment banking and commercial banking as well.

Plans for government financing of "little business"—the definitions of this term always give away the fact that much more is intended—have sprung up in lush variety. Two successive chairmen of the Securities and Exchange Commission, W. O. Douglas and Jerome Frank, have advocated the creation of regional banks which the Government would own. These banks would borrow money from the public and lend it to businesses which wished to get loans or to sell stock. They would put the Government in the investment banking business. Since these government banks would be authorized to own common stocks, they would presumably be entitled to sit on the boards of directors of private companies. Government would indeed be in business.

Another plan has been for the Government to insure banks against loss on loans which the commercial banks would not otherwise make because of the risk involved. Still another has been to have the Government greatly liberalize the basis on which it now lends to borrowers whom the banks have rejected as bad credit risks.

Assuming, as they do, that the Government should advance money to operators who are bad or doubtful risks, all of these plans contain a central danger. They contemplate a government subsidy for failure. The Government would be financing the ne'er-do-well competitors of successful merchants and manufacturers.

Dewitt M. Emery, president of the National Small Business Men's Association and president of the Monroe Letterhead Corporation of Akron, Ohio, told the committee of Congress which considered loans to "little business":

In most instances, small business competes with small business. When you propose to make easy loans to the weaker among us, you are simply subsidizing the weak to remain in competition with their more successful neighbors.

Jesse H. Jones, who, as chairman of the Reconstruction Finance Corporation, had administered the Government's lending to commercial and industrial businesses, declared that the great majority of the loan applications, if granted, "would only have had the effect of aiding one business at the expense of another." Mr. Jones added that most "inquiries and applications for business loans come from applicants with promotional ideas, with no successful record of business experience and little prospect of success or earnings."

### Hard cat to kill

ALTHOUGH the economic disruption which might result from government subsidies to unsuccessful businesses has thus been repeatedly stressed, the suggestion keeps recurring. It has more lives than a cat. Senator James Mead, having introduced a wide variety of bills authorizing Government business loans, has a new one pending before the current session of Congress.

Like its predecessors, Senator Mead's new bill means one of two things: either the Government is going to subscribe capital through stock purchase or liberal loans to unsuccessful business men, thus

### More to come?

Already federal Government lending agencies with capital funds of almost \$4,000,000,000 are competing with private institutions for the banking business of the nation. Unlike private institutions, these outstanding government loans—some \$11,000,000,000—have gone to support only those projects which have government approval. None of this money has been used to develop new products which might do for the American people what the telephone, or electric light or radio have done for them. Some of the Government lending institutions are:

- Central Bank for Cooperatives
- Commodity Credit Corporation
- Disaster Loan Corporation
- District Banks for Cooperatives
- Electric Home and Farm Authority
- Emergency Crop and Feed Loan Office
- Export-Import Bank of Washington
- Farm Credit Administration
- Farm Security Administration
- Federal Credit Unions
- Federal Deposit Insurance Corporation
- Federal Emergency Administration of Public Works
- Federal Farm Mortgage Corporation
- Federal Home Loan Banks
- Federal Housing Administration
- Federal Intermediate Credit Banks
- Federal Land Banks
- Federal Reserve Banks
- Federal Savings and Loan Associations
- Federal Savings and Loan Insurance Corporation
- Home Owners' Loan Corporation
- Housing Division, Public Works Administration
- Indian Rehabilitation Loan Office
- Inland Waterways Corporation
- Land Bank Commissioner
- National Farm Loan Associations
- National Mortgage Associations
- Production Credit Associations
- Production Credit Corporation
- Puerto Rican Reconstruction Administration
- Reconstruction Finance Corporation
- Reconstruction Finance Corporation Mortgage Company
- Regional Agricultural Credit Corporations
- Resettlement Administration
- Rural Electrification Administration
- Tennessee Valley Authority
- United States Housing Authority
- United States Maritime Commission
- United States Postal Savings System





WIDE WORLD

This is a picture of an enterprise set up by "political allocation" of funds taken by taxes, borrowings from your deposits in the banks and your life insurance holdings. It is a factory community, built and equipped by the federal Government, for garment workers transported from New York City to Hightstown, N. J. After three years the \$3,000,000 investment thus allocated went for \$7,000 on the auction block, with the Government the main bidder.

It would be an interesting mental pastime to conjecture what would have happened if an investment banker had sold \$1,000 securities to 3,000 American citizens with a like result. Of course, no such prospectus would have ever gotten by the S.E.C., the blue sky law of any state, the Department of Justice, the F.T.C. and the Post Office inspectors. But if it had, and the investors had lost their money in a short three years, the imagination can depict an uprising that would have invoked at least the Decalog, the Lord's Prayer, the Golden Rule, the Beatitudes and the Constitution. At any rate it would be sufficient to drive the money changers from the temple. The Hightstown incident is not chosen as a horrible example, it is typical of many others.

subsidizing them, as Mr. Emery and Mr. Jones pointed out; or the Government, if it provides capital funds to sound companies, is going to usurp a part of the banking business which America has always believed was reserved for private initiative and risk. There is no alternative. Risky loans and capital subscriptions mean government subsidies. Sound advances mean Government competition with private commercial and investment banking. The National Small Business Men's Association made this clear. One of its resolutions read:

We oppose the use of national credit for subsidizing insolvent businesses. We believe there is no demand for legitimate bank credit that our banks are not eager to meet.

Sponsors of the idea that the Government should take over the function of providing capital funds for business have insisted that the private banking and investment machinery is not meeting the country's needs. The known facts are solidly against them.

Recently Robert M. Hanes, president of the American Bankers Association, made public figures covering the loan operations of 6,000 banks, or 41 per cent of the country's commercial banks. They reported that, in the first six months of last year, they had made more than 11,500,000 loans totaling more than \$18,000,000,000.

#### 14,000 loans an hour

IN OTHER WORDS, in every hour that these banks did business they made an average of more than 14,000 loans. Of these loans, 7,300 were new loans and 7,200 were renewals of outstanding loans. This is the record of only 41 per cent of the banks. If, to these loans, are added those of the other 59 per cent of the banking community, the total would become unbelievably large.

Mr. Hanes summed it up in a sentence:

I state emphatically and unequivocally that the banks of America are meeting the credit needs of business adequately and intelligently.

Testimony of government officials backs up Mr. Hanes. There is no need for additional government lending activity. If banks pass up a good loan possibility, the existing powers of the Reconstruction Finance Corporation and the Federal Reserve banks allow these institutions to fill the need. Mr. Jones told Congress:

Any deserving borrower who can offer security that will reasonably assure repayment of his loan, can have a loan, if he will apply to the R.F.C. for it, and on very generous terms, provided the loan will serve a useful purpose and is consistent with law.

To make certain that private banks and Government agencies are not overlooking deserving borrowers, Secretary of Commerce Harry L. Hopkins obtained permission to have his staff look through the R.F.C.'s rejected applications. The experts of the Department of Commerce concluded that all deserving cases were being handled and that enlargement of the field of government lending would mean the making of unsatisfactory loans.

All the known facts are against the existence of any need for a mechanism such as the Mead bill contemplates to supplement or



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compete with private banking. Adolph A. Berle, Jr., however, has come forward with a government banking program which dwarfs the Mead bill proposals.

Mr. Berle is now an Assistant Secretary of State. He was, however, a member of the original 1933 "brain trust," and his fertile mind does not confine itself to the diplomatic tasks of his office. Mr. Berle believes that, within the next five or ten years, capitalism will face the crisis of its life, and he appeared before the T.N.E.C. to suggest what he believes would be a means for avoiding that crisis.

The nub of Mr. Berle's plan is the creation of what he calls "capital credit banks." They would be Government banks. Their function would be to finance all kinds of construction, charging no interest at all on their loan if that were necessary to get the construction done.

### Private enterprise—this way out

IN OTHER WORDS, the Government through these banks would go into the investment banking business, supplanting private investment banking and eliminating the role of private security owners in these enterprises. Moreover, the Government would hold the power of life and death over the whole range of state, municipal and private undertakings which these banks financed. By granting or denying credit, the banks could bring new activities into existence or throttle going businesses. Private initiative, the foundation of American political and economic life, would have to become subservient to the will of the government bureaucracy.

Private investors could never compete with these banks because Mr. Berle proposes that the banks be allowed virtual powers to issue money. Not having to pay interest, Mr. Berle's banks need not charge any. Therefore, the private investor who must get an income from his money would face a competitor who could afford almost to give money away.

Mr. Berle, of course, has no illusions about the spread of government throughout the country's economic life which would follow creation of his banks. Like Professors Hansen and Currie, he believes that the Government must take over the handling of the country's investing if the economic machinery is to continue to function. Therefore, the end justifies the means, and he says bluntly that the segment of the national economic life under the control of the Government must expand.

Says Assistant Secretary Berle:

Briefly, the private financial system as at present constituted does not work. . . .

If, therefore, wealth is to be created by creation of government debt, the scope of government enterprise must be largely increased. Briefly, the Government will have to enter into the direct financing of activities now supposed to be private; *and a continuance of that direct financing must mean inevitably that the Government ultimately will control and own those activities. . . .* (Italics are ours.)

If the country desires to make wealth creation a function of government, (I personally believe it must do so in a larger measure than it has heretofore) the choice should be the considered choice of the country, and not the result of a policy of drift. . . .

I am frankly biased in favor of public ownership of certain forms

### Business did it before

Recoveries in the past were brought about by business enterprise. Since we are not going to try the dictator system, our only hope is in business enterprise as before. Recovery waits on recognition by government and people that business enterprise, stimulated by hope of profit sufficient to justify taking risk of loss, must be given an opportunity to lift us out of the depression.

—C. C. Arbuthnot, Chairman, Department of Business and Economics, Western Reserve University

### Brakes on recovery

It now seems clear that recovery has been delayed by persistent attempts (by the Government) to support many business structures that should have been allowed to collapse and reorganize with reduced costs. Too much attention has been given to futile attempts to raise prices. . . . Finally, there should be less indiscriminate criticism of business in general and, instead, a vigorous prosecution of specific violations of law.

—E. M. Patterson, Professor of Economics, University of Pennsylvania



EWING GALLOWAY

Somebody's savings gave these men jobs. Yet, without investment banking to bring the saver and the man with the idea together, this pay roll line would not have been possible



### "Lag, leak and friction"

The efficiency of our market, which is essential to American Business, is threatened. . . . If we are to have an efficient and serviceable market, and this is vital to the country, it is imperative for us, and for the Government itself, to give more attention to ways of properly maintaining our operations. . . . The Stock Exchange has undergone a complete reorganization and has added so many rules in the interest of the public that it is difficult for even those in our business to be readily familiar with them. . . . It would seem the part of wisdom for the Securities and Exchange Commission, in administering the law, to credit the exchange with good faith and not to take the position that honest brokers must be burdened with experimental restrictions which may or may not be in the public interest.

—William McC. Martin, President,  
The New York Stock Exchange



NECSMITH & ASSOCIATES

Many new ideas today are in the brief case stage. Some will succeed, employing thousands of workers. Others will fail. Could "political allocation" of funds decide which is which? Or would the investor and the public interest be better served by having the new idea battled up against the hard common sense of the market place?

of wealth. The country probably will be deciding in the next few years whether the Government ought not to own, directly or indirectly, part of the national plant such as railroads, electric power, and mineral resources; and the Temporary National Economic Committee may give us a final answer.

These are the plans—spending, taxing, lending and capital credit banking—which are being urged to propel the Government into the role of arbiter of the country's investing. All the plans spring from the same root: the assumption that private enterprise in the field of investment cannot function. Why need there be any such assumption? There need not be. Here is the answer of Emmett F. Connely, president of the Investment Bankers Association of America:

Billions of dollars of new capital could be used to rehabilitate and modernize plants and equipment. The economists' estimates vary but their most conservative figures indicate that huge amounts are necessary. Meanwhile, billions of dollars of capital stagnate in the hands of investors. The weekly financial statistics give us constant reminders of the glut of idle funds.

If 1940 were to see conditions brought about that would let those two sets of factors react upon each other normally the worst economic troubles of the past ten years would be over. Vast amounts of capital put to work to reconstruct the country's physical establishment would mean jobs for the unemployed, relief from relief, greater tax revenue from the larger profits that better business would bring, better demand for farm products, the development of new industries, new products, new gains all around.

The barriers between the great reserves of capital and the industries that need to use them are numerous but not insurmountable. Some lines of business have already started to spend money for improvements and extensions in a cautious manner in spite of discouraging factors. Potential users of capital most frequently mention as causes for their caution the following: Confiscatory taxes, uncertain labor conditions, government competition, experimental economic legislation, difficulty of financing under the Securities Act, general fear and uncertainty because of unfriendly, threatening and confusing expressions and actions on the part of some persons with governmental authority behind them.

No such brief interview with a banker can bring out the "wheels within wheels" complexion of his handicaps. The little frustrations, inconveniences, discouragements, dispiriting experiences which sap the drive needed to get over the more consequential difficulties. Are we to lose the valuable technique of the investment banker?

The heavy artillery of the T.N.E.C. continues to be turned on investment banking. In his much-publicized "Dear Joe" letter, the President said to the T.N.E.C. chairman:

In the series of hearings which the Securities and Exchange Commission is to hold before your Committee, I take it that a major problem of your Committee will be to ascertain why a large part of our vast reservoir of money and savings have remained idle in stagnant pools. . . . Is it because of lag, leak and friction in the operation of investment markets which pervert the normal flow of savings into non-productive enterprise?

But Leon Henderson, a member of the Committee and one of the S.E.C. commissioners, revised the assignment to running down three clues that seemed to promise some exposures of what former



S.E.C. Chairman William O. Douglas had called "termites of high finance."

*First*, the manner in which investment banking has complied with the provision in the Banking Act of 1933 divorcing it from commercial banking.

*Second*, the extent to which concentration exists in the business.

*Third*, the manner in which business is negotiated between the leading underwriters and issuers.

"The S.E.C. wishes it distinctly understood that the scope of these hearings is limited to these three questions," Mr. Henderson said.

### Friendship seems illegal

BEFORE the Banking Act of 1933 was passed, many banks of deposit had built up extensive affiliates for dealing in securities. The investigators seem to have proceeded on the assumption that these affiliates were the kind of businesses that, in the prophetic words of Rexford Tugwell, should "be made to disappear" entirely. Notwithstanding that all of them had been dissolved, the S.E.C.'s investigators, in charge of this phase of the probe, set out to prove that, in reality, they still live on in the persons of the men who operate them. Seemingly strict compliance with the spirit of the law would, in the examiners' view, mean that those men should abandon their source of livelihood or, if they made new connections, that they should not capitalize on their life's work by taking any business they had formerly handled, especially for friends.

When one witness testified that clients followed him to his new connection, Senator King, one of the more sympathetic members of the Committee, said he saw no impropriety in that. Chairman O'Mahoney, agreeing with that, stated, however:

It isn't a question of impropriety. It is a question of the actual concentration of the bulk of this business. Now, that carries no implication of wrong-doing or violation of the law, but it is a physical fact of tremendous importance in the economic history of the United States.

Charges were also made that commercial banks which had been compelled to give up their underwriting activities designated their successors as being entitled to "inherit" certain business. But the contention that the spirit of the law is evaded was an exceedingly labored case. It took no account of good will values, which are the creation of personalities and the reward of integrity. One of the witnesses emphasized this point in answer to a question as to what, in the light of certain testimony, the Committee was entitled to infer.

"I think the Committee is entitled to infer that business follows personalities," he said.

The second and third counts in Mr. Henderson's indictment—undue concentration and dubious methods of negotiating the business of underwriting—were aimed principally at several of the larger investment banking houses. The case had been laboriously constructed through months of combing in the files of these concerns by Peter R. Nehemkis, Jr., special counsel for the S.E.C., and his staff. It was brought out that one of the companies under scrutiny



HARRIS & EWING

Leon Henderson became a member of the S.E.C. last May, succeeding William O. Douglas, upon his appointment as Associate Justice of the Supreme Court. In the early days of the T.N.E.C. he was its Executive Secretary, but now is a member of the Committee. He was born in 1895 in Millville, N. J., graduating from Swarthmore College in 1920, after which he did some post-graduate work at the University of Pennsylvania, 1920-22. Early in his career he worked for Governor Gifford Pinchot of Pennsylvania after a fling at teaching and the Chataqua business. He was an Assistant Professor of Economics at Carnegie Institute of Technology, 1922-23, and Director of Consumer Credit Research in the Russell Sage Foundation, 1925-34. He served as a member of the N.I.R.B., 1934-35, after having earlier been its economic adviser and the director of its research and planning division. Upon the demise of the N.R.A., he became Economist of the Democratic National Campaign Committee in 1936 and later Consulting Economist of the W.P.A. His appointment to the S.E.C. drew opposition from financial spokesmen who hoped for a more conservatively inclined official in that position.

### We've got what it takes!

We do not need any new industries to lead us from depression to prosperity or to provide productive outlets for the savings of the American people. All that we require is an economic and political situation favorable to the resumption of capital replacement and expansion in existing industries. The expansion of capital required to replace depreciation and obsolescent plant and equipment and to raise standards of living even back to the 1929 level is sufficient not only to provide outlets for available money savings but also to absorb all our unemployment.

—Dr. Harold G. Moulton, President, Brookings Institution



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*Peter R. Nehemkis, Jr., now about 32, is a native of Newark, N. J. He has had a varied career with the S.E.C. as a member of the General Counsel's staff. On January 14 last year the S.E.C. announced his appointment as Special Counsel in charge of the investment banking section of the T.N.E.C.'s investigation.*

*It has been reported that, in 1927-29, he was one of the 200 "guinea pigs" participating in Alexander Meiklejohn's educational experiment at the University of Wisconsin. He is a graduate of Swarthmore College and Yale Law School, where he was editor of the Yale Law Journal. He joined the R.F.C. legal staff in time to take a young lawyer's part in some of the early New Deal litigation before becoming attached to the S.E.C.*

#### Government at work

MR. NEHEMKIS: As Mr. Stanley knows, we have been living in his shop for months. MR. STANLEY (President, Morgan, Stanley & Co.): Yes, I know it.

THE CHAIRMAN: He says it with an air of resignation.

—From the record of T.N.E.C. hearings

had kept 17 clerks busy for many weeks supplying data demanded by the Commission.

An effort was made to show that favored underwriters allocate the business to an underwriting syndicate like a monopolistic plum. To support this proposition, a history of American Telephone and Telegraph financing for the past 33 years was recounted. This hypothesis begins with a legendary conference in the Morgan library, at which three men now dead divided up this financing that ultimately amounted to \$832,000,000. Around the incident an effort was made to weave a drama not unlike that celebrated conference in which the Roman triumvirs divided among themselves the known world of the first century B.C.

#### A new term is coined

MANY thousands of words were spread on the record in an attempt to show that the underwriters come to regard themselves as possessing a "proprietary interest" in future business. Although several witnesses denied emphatically ever having heard this term in their long Wall Street experience, it was bandied about as a find comparable to "the underprivileged."

This allegation also was contradicted by evidence that some of the Bell Telephone issues were shared by eight or nine underwriters, while others had as high as 97 participants. Chairman O'Mahoney showed that he was somewhat skeptical of the S.E.C. case by asking the counsel to include some reservation about the meaning of "proprietary interest" in a summary of one of the sessions.

Mindful of the late Senator Walsh and his "little black bag" disclosure, the S.E.C. boys had dug up the case of "the little black books." An investment banker had a few black memorandum books in his office in which he kept personal and informal notations on underwriting participations of his own firm with others. They were not company accounts or records. They were something like the trade statistics the president of a manufacturing company might keep at hand to inform himself upon his company's relative position from month to month. But the S.E.C. sleuths regarded them as incriminating evidence of "reciprocal obligations."

Through the hearings runs a peculiar note of contradiction. On the one hand was the predilection that underwriting business is "frozen," "crystallized," fixed, and, on the other, the repeated cynical jabbing at underwriters about the lengths to which they are said to go to obtain business. One is monopoly, the other is competition.

Nothing could be clearer from the testimony than the prevalence of keen competition in the business. One prominent banker described it as a "dog fight." When a corporation is dissatisfied with the service its underwriter renders it finds plenty of others eager to get the business.

Some happenings demonstrated the failing of so many academic minds that do not appreciate what is required to go out and sell for a living. Of course, a salesman will use as an influence the circumstance of friendship. Naturally, friendship plays a part in self-



ing securities and in selling the ability of an institution to market an issue. As one partner in J. P. Morgan and Company put it in his testimony, "Business follows individuals rather than firm names." Anyone with actual experience in the hurly-burly of business would understand that.

Semantics, the five-dollar word introduced to the vulgar by that protagonist of New Deal phraseology, Stuart Chase, played a big part in the T.N.E.C. hearings. Passage after passage of quiz and answer simmered down in substance to the definition of terms. Such coined terms as "proprietary interest," "reciprocal obligations," "frozen interests," "legacies," "line of inheritance," etc., provoked a huge word tonnage.

But the best piece of semantic fireworks was displayed by Counsel Nehemkis. He was discussing a letter written by the late Dwight W. Morrow, a Morgan partner and later a U. S. Senator. In his letter about an A.T. & T. issue, Mr. Morrow had written that "I am also handicapped by not knowing the considerations which affected the original division of 70 per cent to New York and 30 per cent to Boston." Said Mr. Nehemkis in prefacing one of his questions:

I was very much interested in one word Mr. Morrow used. Now, Mr. Morrow was a very distinguished lawyer. In referring to this agreement or understanding arrived at in the library he used a word that always has great significance for lawyers—"considerations."

Investment bankers must be more careful than most men about their semantics, else long after they are dead their chance utterances may be exhumed and exhibited as a possible evidence of financial turpitude.

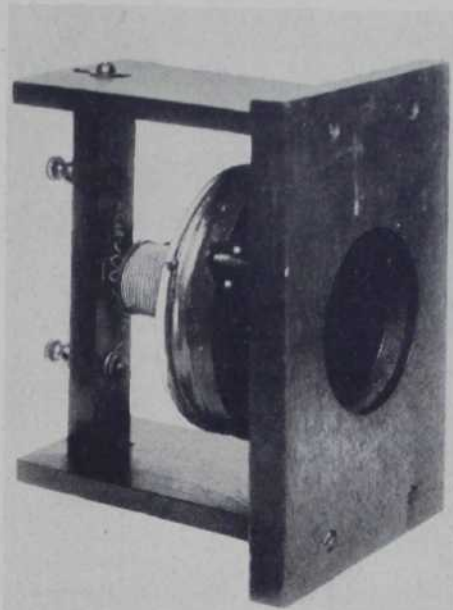
By implication, the S.E.C. presentation repeatedly pointed to competitive bidding as the answer to the criticisms leveled at underwriting. Several investment bankers tried to refute any contention for competitive bidding but in every instance were balked by the unbending resistance of Commissioner Henderson. His main grounds were that the S.E.C. has the general subject under investigation but was not prepared to have the subject aired before the T.N.E.C.

### No light on efficiency

AS YET no attempt has been made to appraise the efficiency with which investment banking is fulfilling its function of bringing idle capital and enterpriser together. Only by the remotest application can anything so far developed throw light on the reason that "a large part of our vast reservoir of savings has remained idle in stagnant pools."

It now becomes fairly obvious that the S.E.C. probers are not working toward the end of immediate legislation to thaw out frozen capital. Apparently they are not even hopeful of recommending, with any success, specific reform legislation to the present Congress. Their sights may be set higher, perhaps toward a glittering mountain peak of collectivism of some form for America.

There have been 20 major depressions in this country since our government was founded, but this is the deepest and longest one of them all.



ROSENFELD

Only daring investors would risk their money backing this peculiar looking device. But some men took a chance. The result is a \$6,000,000,000 industry providing incomes for many millions of Americans. The thing is Bell's first telephone

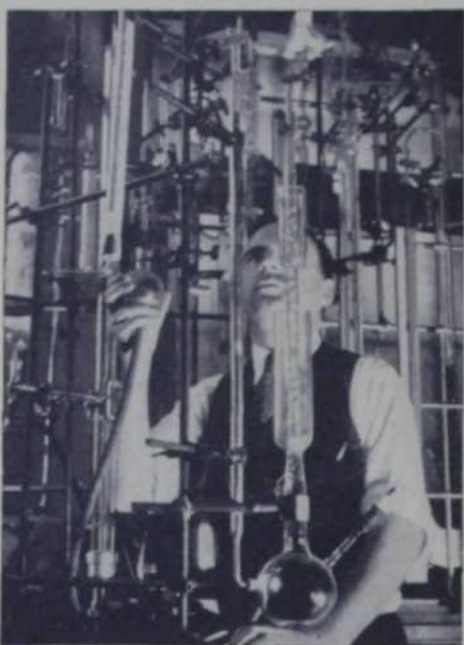
### The search relentless

MR. NEHEMKIS: Would you care to enlighten me, if you will, why it was necessary for Mr. Burnett Walker to ask Mr. Macomber whether Mr. Macomber had any objection to Burnett Walker's talking to the President of the Southern California Edison Company?

—From the record of T.N.E.C. hearings

(The investigator is commenting on one sentence in a letter from J. R. Macomber to another banker. Burnett Walker was with a competing house and he wanted to be courteous to Macomber who already had the Southern California Edison business.)





EWING GALLOWAY

The nation's laboratories must depend on venture money not only to support their constant search for new products but for their practical development

#### A searching question—unanswered

WITNESS: May I ask a question of you? What is the point of this?

EXAMINER: Well, that is not a proper question for a witness to ask.

—From the record of T.N.E.C. hearings

#### Possible, with more appropriation

SENATOR KING: You are now investigating transactions way back in 1920?

MR. NEHEMKIS: We have done even worse than that, Senator. We have gone back to 1906.

SENATOR KING: Why don't you go back to the beginning of time?

—From the record of T.N.E.C. hearings

The most important question it raises is how to make progress on the road to durable recovery, how to put the unemployed on the pay rolls of productive enterprise and keep them there.

This is a question to which no one answer can be given. Many things need to be done and many undone. But one truth is apparent from the experience of this depression and of all preceding ones.

It is that the greatest single force, the largest engine, to pull us out of depression is the flow of capital into both new and established enterprises. This powerful engine is now all but stalled.

Says Leonard P. Ayres:

The unemployment that results from the decreased demand for durable goods is most of the depression unemployment. It can be cured by the sale of corporation bonds, and it is probably true that that is the only way it ever has been cured in our long economic history. . . .

In the past eight years, the average new capital by private financing has been about \$600,000,000 a year, against \$3,600,000,000 a year in the decade of the 20's, or six times as much. Said Lionel D. Edie a few months ago:

It is doubtful if this plant (the productive plant and equipment of all kinds) today is any better than it was ten years ago. We are finishing a dead decade in which stagnation has supplanted progress and dynamic growth has given way to arrested development.

Mr. Edie, a recognized authority, estimates that it would take \$25,000,000,000 of new investment to put the capital plant and equipment in shape to afford a decent basis even of national defense. He says:

We must go back to building an America that is adequate for national defense in war and that perpetuates the peace-time growth which prevailed for 150 years until 1930 but which has been lost since that time.

Mr. Edie's estimate as to the retrogression in our capital plant is modest by comparison with the estimates of others. For instance, according to Simon Kuznets, for every year from 1919 to 1930, the capital for business uses steadily increased, with the exception of 1921, when there was a small deficiency. The total increase in business capital for these years was \$43,500,000,000. In contrast, for every year from 1931 to 1935, inclusive, there was a decrease in business capital—a total loss of \$16,000,000,000.

#### Fresh capital is essential

ONE SURVEY a few years ago indicated a potential replacement demand in four industrial groups (railroad equipment, farm machinery, construction equipment and the automotive industry) of \$19,000,000,000.

Various reliable authorities have made estimates of the accumulated shortages in durable goods due to absence of expenditures for maintenance and replacement, as well as to subnormal outlays for industrial expansion, which range up to \$85,000,000,000.

Perpetuation of our economic system depends upon a constant replenishment of fresh capital. The major step is to open the capital



markets. Until we do that, we cannot have the expansion of industry and trade on which recovery depends.

We need not take the views of business men alone. One of the country's most discerning labor leaders, supporting the testimony of a great industrialist, explains this situation.

Matthew Woll, Vice President of the American Federation of Labor, says:

Recently there have come to our attention statistics showing the amount of money which must be invested to furnish employment to one worker. The estimate of Lamont du Pont that, on the average, the manufacturing industry throughout the country requires an investment of \$8,000 per employee, that in the steel industry about \$11,000 in capital is required for each employee, and in the electric utility industry an investment of approximately \$45,000 is required per employee, is of more than passing concern.

His statement that an expenditure of \$25,000,000,000 upon new plant and equipment would put an additional 3,000,000 men to work in the manufacturing industry and would provide employment in service industries of some 7,500,000 men, ought not to be disregarded, but should receive serious attention.

Certainly it is by far better that capital investments be encouraged to bring about reemployment than that we should center foremost attention on providing relief and in finding new, excessive and burdensome forms of taxation.

Mr. Woll says the great American Federation of Labor has repeatedly stressed that, to stimulate employment in the construction and heavy industry group, a revival of the flow of investment capital to business is necessary. He observes that "the country cannot continue indefinitely to satisfy its needs for consumers' goods unless operations are undertaken to expand production and maintenance and the national standard of living."

### "Investment is in the dog house"

IF WE TURN to government officials, we find President Roosevelt stating: "Obviously an immediate task is to try to increase the use of private capital to create employment." The same idea has been stressed by Secretary of Commerce Hopkins, who observes that the stimulation of recovery rests primarily upon resumption of the flow of private capital into productive enterprise.

Former Under Secretary of the Treasury John W. Hanes, numerous members of Congress, and economists of national standing have all stressed the importance of encouraging the flow of investment funds into enterprise and the necessity of protecting the agency, investment banking, which mobilizes those funds.

W. Randolph Burgess, of the National City Bank of New York, has stated it in a pithy way:

Investment was put in the dog house and kept there. And that is a major reason why our recovery from depression has been so slow.

The conclusion is inescapable: *This is an under-investment depression.*

The surest way to revive new business financing and improve the economic and unemployment situations generally, is to create con-

### Labor's concern over investments

Our studies indicate that the percentage of employment over a period of years runs fairly comparable with new capital investment in industry. During the years 1925 to 1929, inclusive, we find the factory index around 100, with new investments in America's industries approximating \$3,750,000,000 annually. Figures from 1930 to 1935 inclusive, evidence that with the factory employment index rising from a low of 60 to 80, new investments in America's industries approximated \$700,000,000 annually. The country cannot long continue to satisfy its needs for consumers' goods unless operations are undertaken to expand production and maintenance and the national standard of living.

—Matthew Woll, Vice President,  
American Federation of Labor



Radio was conceived as a means of communicating with ships at sea. The market place found other uses employing thousands of persons. Could political allocation have guided it that way?



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### A practical view

Everything we are and everything we have—the myriad of things all around us we call civilization—we owe to the existence of capitalism in a free democracy. To help maintain this system, we must provide the \$7,000 per man necessary to give work to the 500,000 or more persons who are added to our employable population each year, and to all those stranded on the relief rolls as a result of the post-war depression. We also need capital investment if we are to furnish jobs for those who are released for new employment owing to shifts away from old industries or from old techniques of those industries.

—John W. Hanes, Under Secretary of the Treasury (then a member of the S.E.C.)

### "Dangerous back-seat driving"

I have warned the country against unwise governmental interference with business; I have pointed out that the policies of the present leadership . . . in the last few years have constituted dangerous back-seat driving. . . . I am opposed to their kind of governmental interference with business. It means casual, dangerous tampering.

—Franklin D. Roosevelt, in 1932



H. ARMSTRONG ROBERTS

"This is an under-investment depression."

ditions that will encourage initiative in the development of new industries, and free the facilities of finance to help. Efforts at further dismantlement of the investment banking machinery for bringing issuer and investor together must be abandoned, and there must be easing of the too drastic curbs that have now been placed upon those facilities if capital is to be mobilized for industry, if jobs are to be restored, and if we are to march toward durable recovery in a sound and characteristic American way.

Perhaps, if a common denominator could be reached of all the reasons for our failure to recover the business activity we once had, it would be simply: "uncertainty due to the 'too drastic curbs' placed upon business operations."

As Theodore Roosevelt acknowledged in the midst of an early anti-monopoly crusade, you cannot tie a man's hands to keep him from doing harm without at the same time preventing him from doing good.

The brakes have been set too hard.

Now, political operation of the machinery by which people exchange the products of their labor, trade their services, undertake new enterprises, is the direct antithesis of the American free enterprise system.

The half-way house on the road to political operation from a free enterprise system is political control—the euphonious phrase over here is "national planning." Under whatever "semantic," it is political control of the various parts of the economic machine, control of the people's earnings and savings, control of the set-up of industrial and agricultural and commercial operation, control of the relations between manager and employee, and control, in fact, of the myriad activities of the market place.

### At the half-way house

WE THUS FIND ourselves at the half-way house, in a period of transition. It is the situation described by clear thinkers like Bernard Baruch, that we cannot progress while we are neither one thing nor the other. We have gone all the way into operation in some instances, such as the making and selling of electric power and electrical appliances, the building and management of homes and entire communities. We have gone half-way into practically every branch of economic activity, and particularly in the field of finance. Much of the people's earnings and savings is allocated today through some 40 federal lending agencies and, let us recall, as Assistant Secretary Berle sees so clearly and with approval:

. . . the Government will have to enter into the direct financing of activities now supposed to be private; and a continuance of that direct financing must mean inevitably that the Government ultimately will control and own those activities. . . .

Over a period of years, the Government will gradually come to own most of the productive plants of the United States. . . .

At the depth of our despondence in 1933, reform muscled in and displaced recovery. Not content with the slow, evolutionary method of gradually applying the brakes, we clamped them down



with such force that the machinery by which men and women earn their living is unable again to reach the speed of the 'Twenties.

Fireside mechanics appeared on the scene, earnest theorists, motivated by the desire to make America over to get a better America, each crusading to take the play out of the particular part of the economic machine about which he or she had an obsession. Each was certain that our troubles were due to a fault in a particular section of the transmission line from natural resources to consumption.

So the nation embarked upon the Gargantuan task of restricting, through political control, the activities of banks, investment banks, commercial aviation, power and light, stock and grain exchanges, oil, coal, labor relations, wages and hours, telephones, transportation, manufacturing, agriculture, advertising and retailing and is now engaged in taking the "play" out of the insurance business.

### Reform adds friction

NEW AND UNUSUAL forms of taxation, destined less for the purpose of revenue than to gain certain social ends, added to the friction.

But all this might have been overcome by the steam power of the mighty American industrial and commercial system, with the prestige and experience and momentum of 150 years. There was a greater depressant.

Congress, facing its Herculean task, was obliged to resort to something new in America, but old to other countries. It had to delegate its powers to executive boards, bureaus, authorities, commissions and federal corporations. It had to leave to them the definition of rules, their application, their interpretation, their infringement and the degree of punishment. It had to leave to them the prosecution of the citizen, the question of intent, the judging of that citizen and the fixing of punishment by the same personnel.

This naturally brought about the "uncertainty" which the press has reported almost daily as preventing business expansion.

At the head of the transmission line which carries the dreams of enterprisers, involving the hiring of both men and dollars, is the financial set-up.

A commission was authorized to "safeguard" the issuance of securities and their sale. But the task of arriving at regulations to fit literally thousands of different cases resulted in red tape; excessive costs; long delay; severe civil liabilities upon officers, which delayed decisive action; impractical requirements, honestly motivated, but born of inexperience in the human relationships of buying and selling; ignorant actions which, when opposed, bring the retort that the opposer is unwilling to cooperate; arbitrary decisions; "death sentences;" the ever-present fear in bureaucratic administration of reprisals; the uncertainty of discretionary powers—all naturally resulting in a bottleneck which has postponed new enterprises and impeded the free flow of capital.

In the effort to take the "play" out of the securities markets, the nuts have been tightened too much and it is not an exaggeration to



FAIRCHILD AERIAL SURVEYS

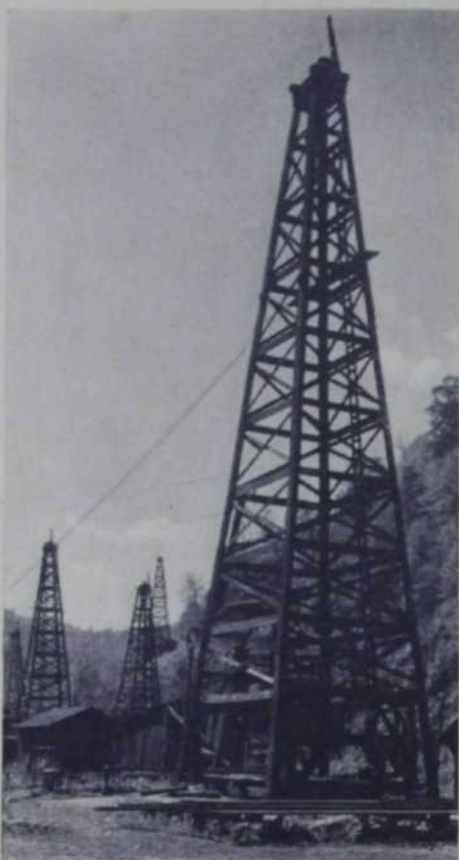
*The modern city could not exist had there been no money markets to provide not only building funds, but to pay for the development of new materials essential to modern construction.*

### The spirit is everything

The reason, I believe, for the long continued stagnation of business and for this vacuum in which the investment business is struggling to be useful and effective is to be found in the simple fact that the impetus back of business is of human origin. . . . The human being engages in his activities with eagerness and zest, he builds and spends and takes commitments for futures only when he is confident of a relative permanence of the conditions surrounding him. And he looks to government for those conditions of stability.

—Francis E. Frothingham, Coffin & Burr, Inc., Boston, Former President, the Investment Bankers' Association of America





HORYOCZAK

Petroleum was a waste commodity until one man with an idea dared public ridicule and drilled a well. Another man built a refinery. Still other men developed means for its greatest use. Today this \$14,000,000,000 industry provides jobs for more than 1,000,000 Americans

### Why the dollar is afraid

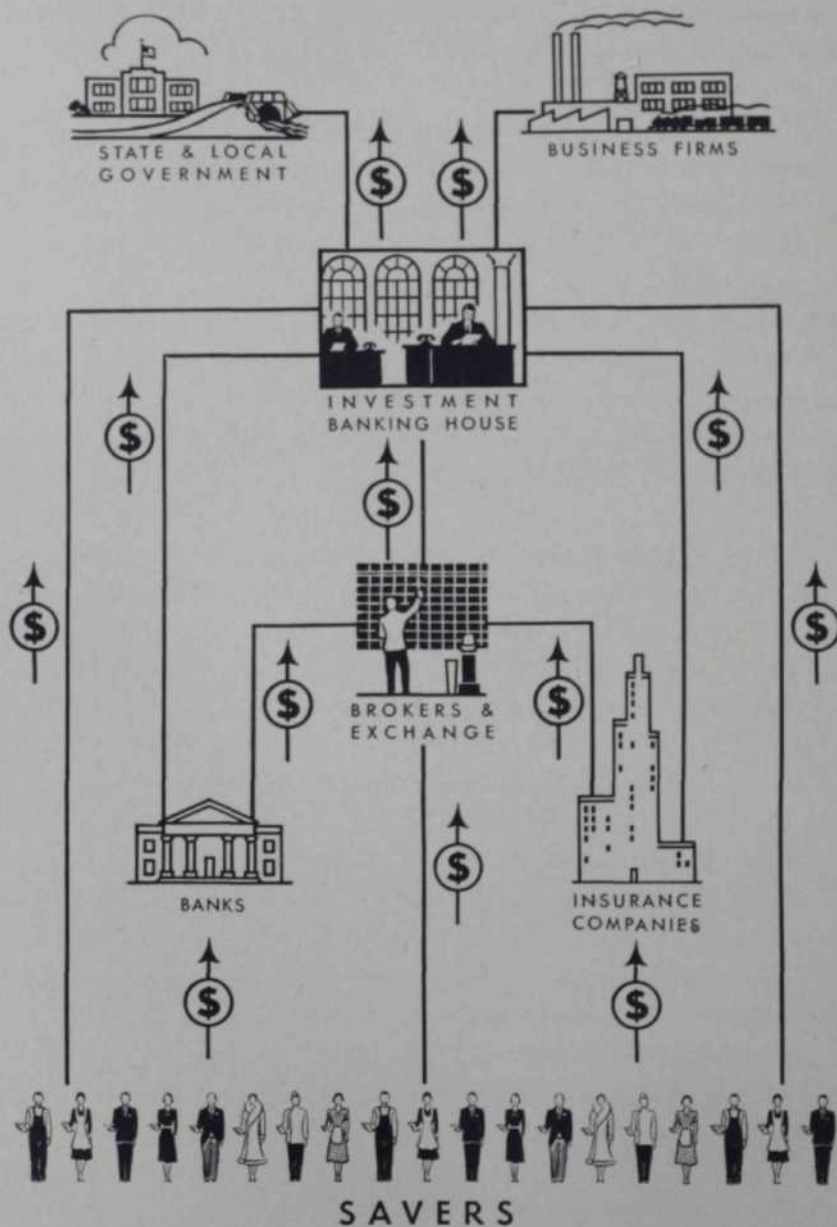
The single missing element is a feeling of security—a belief that money can be spent or invested without confiscation of reasonable profits by inordinate taxation; that American assets will not again be subject to some great arbitrary change in the value of money; that there are to be no further disturbing assaults on business either by some statutory change in the existing business pattern or a general governmental hostility or governmental competitive invasion of existing fields of private enterprise.

—Bernard M. Baruch

say that thousands of new ventures have died at conception.

When it is realized that a score of federal authorities are issuing thousands of new rules daily, changing old rules overnight, often without sufficient notification; that 50-odd new executive boards have been set up by Congress without the definitive powers of the old bureaus, and that thousands of other rules of conduct are incubating, there comes a picture of the uncertainty of business operation today.

This political control extends in many directions. Some of the manifestations are these: The Government required 153,000,000 reports last year from business men. Some of the reports were as big as dictionaries. One corporation advised its stockholders that the expense of making out its reports last year was \$2,200,000. The



Dollars saved by John and Mary Person reach paying jobs in business, industry and public improvements through the channels of the securities markets. Some savings go into insurance policies, savings accounts, and thence into securities. Some go into securities already outstanding which are bought on stock exchanges or in the over-the-counter market. But, whether direct or 'roundabout, the pathways must be kept open.



money cost is not the first cost. The deflection of the managerial mind from managerial duties of devising improvements and new products costs the general welfare many times as much.

A congressman found, after several months of hard work, that the federal Government's bill for traveling expenses was \$76,000,000 in one year. This is a sum equal to 18 per cent of all the passenger revenue of all the railroads and indicates the number of federal employees now inspecting business operations, badgering managers throughout the country.

The Wages and Hours administration, while still training 413 new inspectors, most of them young women, to carry on this kind of surveillance, is asking Congress for 700 more, announcing that ultimately each employing unit in the United States should be inspected at least once a year.

The Attorney General begs for more help in his anti-trust work, saying, "You cannot police America with a corporal's guard."

The money cost of these increased governmental controls is staggering. The amount transcends the power of words to reveal.

In 1938 governmental spendings, state, local and federal, of \$18,000,000,000 topped the income of the activities of all citizens of the states west of the Mississippi. Their combined efforts in producing the gigantic output of gold, silver, copper, corn, milk, cheese, potatoes, beef, sugar, coal, lumber and all other products created income of approximately \$17,500,000,000.

Government today is spending about 30 per cent of the national income, collecting through taxes nearly 25 per cent and borrowing most of the difference. At the turn of the century, government was spending about eight per cent of the national income.

A wise economist has computed that approximately 20 per cent of the national income must be devoted each year to investment in industry to maintain reasonable progress. Formerly at least that percentage was so devoted. It must be apparent that, as government's drafts upon the national income increase, the proportion of the national income available for voluntary investment in industry diminishes.

Other governments have always taken a large toll of their country's income in taxes. They use it for policing against neighbors bent upon wealth and territory grabbing expeditions—when not in preparation for such expeditions themselves. In either case, the governments encourage the producers of wealth to produce more and more. Our growing practice slaps both ears down. We deprive management of the wherewithal to risk new ventures and use the money in large part to put reins and blinders upon management.

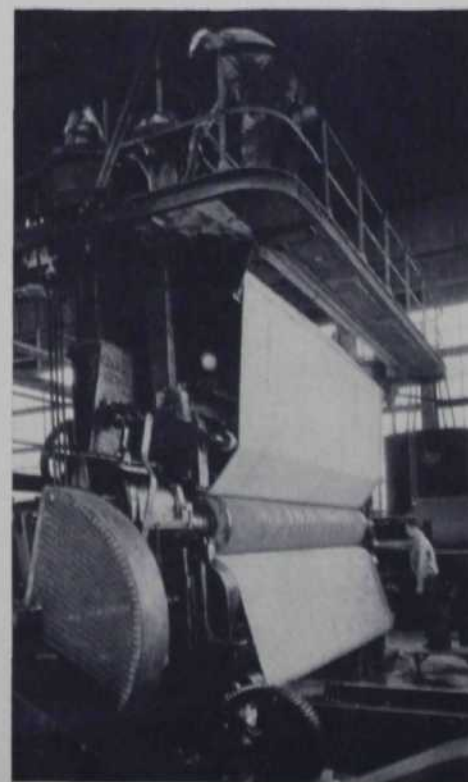
#### **If we really want business activity**

WE MAY HOPE and pray for a speeding up of our industrial machinery to a point where it again will produce another \$80,000,000,000 income. We can't have it if we deprive management of funds and freedom of action. We can't enjoy the sadistic satisfaction of seeing managers harassed and berated, and at the same time enjoy the harvest of management's accomplishment. Either one or the

#### **To say nothing of "Investigations"**

One of the most difficult handicaps under which American industry has worked for the past several years has been the immense burden upon the time and energy of business and financial executives in adjusting themselves to the constant shifts of Government policy and attempting to forecast future shifts of policy. A great deal of thought and energy which should have gone into the problems of internal organization of business, of increasing efficiency, of finding markets for goods, of making comprehensive plans for expansion, and of the introduction of new technology, has necessarily gone into the question of what the Government is doing and is going to do.

—Winthrop W. Aldrich, Chairman of the Board, the Chase National Bank



Uniting asbestos fiber and cement with steel to make a new kind of pipe provides jobs for both idle men and idle dollars



\*\*\*\*\*

### Get busy, Baby!

Every baby born today owes \$460.65 as his or her share of government debt. Twenty-one years ago—just after the close of the World War—the share would have been \$309.74. In the time that it took for a boy born in 1919 to grow into manhood, a baby's share of the public debt has been increased \$150.91—almost half.

### The milk in the cocoanut

This wasn't the only white man's country which beckoned the poor and the oppressed of every nation. There were the whole of Latin-America and the highlands of Africa, among others, which offered the same or greater resources and accessibility.

Neither of these prospered and the reason becomes plainer every day. There was in neither protection of property, stability of government, integrity of obligation. All these were assured here from the moment Alexander Hamilton, over the opposition of all the crack-pots of his day, established the fiscal soundness and the devotion to the pledged word that attracted to this country not only the people, but the capital of the whole world. . . .

There are strange doctrines abroad today. They are that somehow State compulsion under one-man control can activate a national economy under threat of punishment far better than millions of free initiatives can activate it with no compulsion whatever except the hope of reward.

—Gen. Hugh S. Johnson

### One way to raise tax money

We have a vast arrearage in the production of capital goods, deferred maintenance, appalling obsolescence, and a need in many lines for great expansion. If men can look ahead and make far-reaching industrial plans with assurance of stability in government policy, great capital outlays will inevitably ensue. This will not cost the government money, but, on the contrary, will create new income out of which the government will be able to raise additional taxes—which we may devoutly hope will be used to reduce the public debt.

—Winthrop W. Aldrich, Chairman of the Board, the Chase National Bank

other. It is the people's choice. They have permitted the course we are pursuing.

Regulation in the public interest there should be, but by written laws, not laws by men in bureaus from day to day. Brakes there should be, but if we expect speed and hill-climbing again, we'd better make sure the brakes aren't set too hard.

The issue at the core of all the issues now facing the American people comes inevitably to the question of the future of free enterprise. Initiative, resourcefulness, the courage to make future commitments, the will to take a reasoned chance, are the mainsprings of national progress. They can give no enduring meaning or effect to the idea of prosperity if continually subjected to repressive and restrictive legislation and the harassment of administrative agencies.

The traditional opportunity, once this country's distinction and its boast, is the opportunity for the free use of the individual's talents and abilities applied to his own advancement in terms of a useful contribution to the enrichment of life on the American plan. The issue is clear: Shall the people assure the development and exercise of their productive powers, or shall they surrender the rule of their own lives to the personality of the State? Decision in the national interest is the country's first order of business.





# PRESENTING DODGE *Job-Rated* TRUCKS



*\*Job-Rated MEANS: A Truck That Fits YOUR Job! Here's Why!*

## ONE SURE WAY OF GETTING A TRUCK TO FIT YOUR JOB!

WHEN YOU BUY a new 1940 Dodge truck you get a Job-Rated truck! *You can get a truck that fits your particular hauling needs.* Each truck in the broad line of Dodge Job-Rated trucks is designed and built throughout to handle its maximum capacity. From engine to rear axle each Dodge Job-Rated truck is *engineered and sized right* to deliver top performance with dollar-saving economy. That's why your next truck can be the best truck you ever owned . . . more dependable, more economical . . . the source of more satisfaction . . . *a truck that fits your job!*

	DODGE	TRUCK 2	TRUCK 3
ENGINES	6	1	3
WHEELBASES	17	9	6
GEAR RATIOS	16	6	9
CAPACITIES (Ton Rating)	6	3	4
STD. CHASSIS and BODY MODELS	96	56	42
PRICES Begin At	\$465	\$450	\$474 <sup>19</sup>

Prices shown are for 1/2-ton chassis with flat face cowl delivered at Main Factory, federal taxes included—state and local taxes extra. Prices subject to change without notice. Figures used in the above chart are based on published data.



### GET THIS FREE BOOKLET EXPLAINING A BETTER WAY TO BUY A TRUCK TO FIT YOUR JOB

Before you buy any truck, get this booklet from your Dodge dealer or write to Dodge Division, Chrysler Corporation, Detroit, Mich.

DODGE JOB-RATED TRUCKS ARE PRICED WITH THE LOWEST FOR EVERY CAPACITY

### 6 ENGINES

Each Dodge truck is powered *right* for the hauling job—with an engine specifically engineered for the truck in which it is installed.

### 8 REAR AXLES

In 1/2-ton to 3-ton capacities a total of eight different rear axles is used. Each is *sized for the truck* . . . and the load it will haul.

### 4 CLUTCHES

Each Dodge Job-Rated truck has a clutch that is extra big—extra strong—and built to last because it's sized to match the job.

### 20 FRAMES

One of twenty frames gives durable strength to each Dodge Job-Rated truck—assuring the right foundation for its rated load.

### 3 TRANSMISSIONS

Dodge trucks have 3-speed, 4-speed or 5-speed transmissions according to the power and size of the truck. All *rate* for the job!

### 9 SPRING Combinations

Dodge springs *"stand up to the load"* because correctly sized and designed springs are used on each Dodge Job-Rated truck.

© 1940

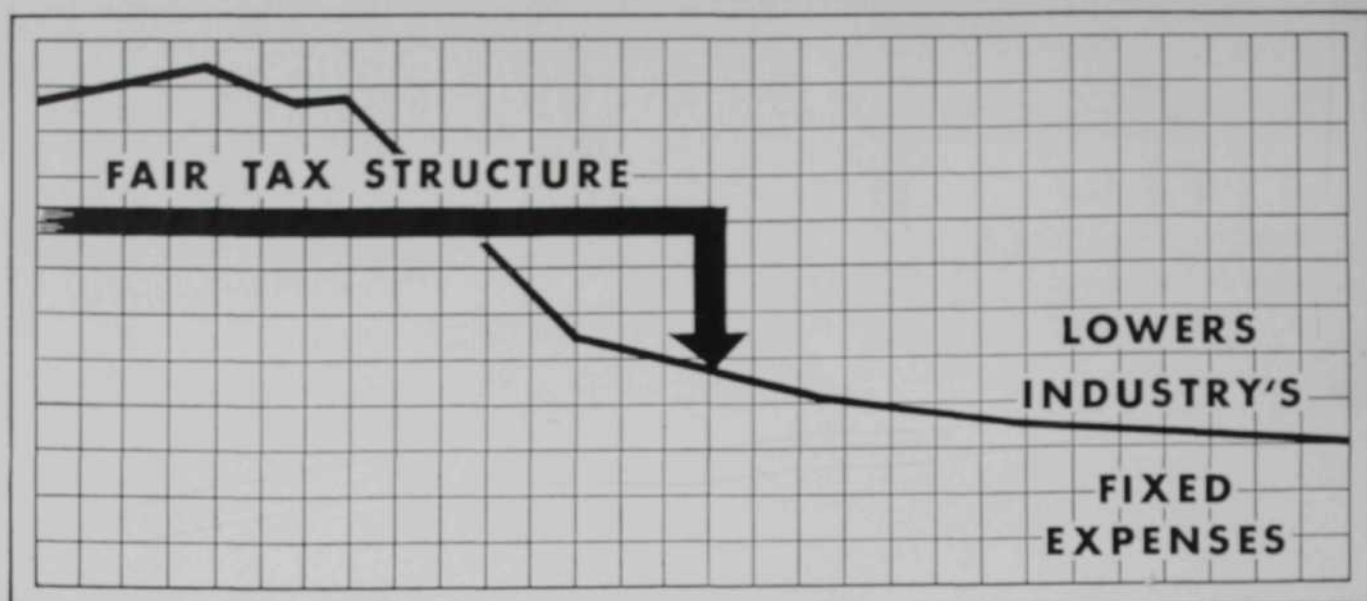
# DEPEND ON DODGE *Job-Rated* TRUCKS

3 · 2 · 1½ · 1 · ¾ · ½-TON CAPACITIES · 96 STANDARD CHASSIS AND BODY MODELS ON 17 WHEELBASES

Dependable  
DODGE  
TRUCK SERVICE  
Everywhere

SEE YOUR  
DODGE DEALER  
FOR  
DEPENDABLE  
USED TRUCKS





## ...and BUSINESS-MINDED Legislation gives Industry Fair Play in Chesapeake and Ohio Territory

SUPPLIED IN AGES PAST with great resources of raw materials and fuel, Chesapeake and Ohio Territory is a natural field of industrial development. The history of the states it embraces—Virginia, West Virginia, Kentucky, Ohio and Indiana—has been of human effort geared to the success of Industry. And an important part of this effort today is that of state legislatures which strive to foster industrial expansion.

The great diversity of industries now operating in this territory indicates that all find here the conditions vital to their success. Cooperative legislation is but one factor attracting enterprises which plan to move, expand or de-centralize. Add to this an abundance of raw materials, close at hand... plentiful native labor... excellent living and climatic conditions... community cooperation... cheap fuel and electric power... available industrial sites... proximity to major markets... excellent transportation. These are advantages worth investigating!

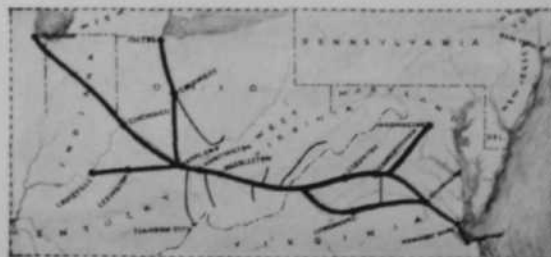
What do you seek in a more advantageous location? Complete and impartial factual surveys for your specific industry will be furnished on request. All inquiries will be held in strictest confidence. Write

GEORGE D. MOFFETT, *Industrial Commissioner*  
CHESAPEAKE AND OHIO LINES, Huntington, W. Va.

### THESE ADVANTAGES

are but the fundamentals of many favorable conditions making Chesapeake and Ohio Territory an economic field of operation for many industries.

- RAW MATERIALS of many kinds; abundant, near at hand, economically secured.
- INTELLIGENT LABOR—native-born; largely skilled in a diversity of industries; well housed; peaceful and cooperative.
- NEAR TO MARKETS—major consuming areas within first, second or third morning delivery.
- EXCELLENT TRANSPORTATION—favorable freight rates and dependable service keep markets and manufacturers in economically close touch.
- CHEAP POWER—abundant coal, oil, natural gas and hydro-electric developments assure this region of unlimited power at most economical costs.
- COOPERATIVE LEGISLATION—Industry is king in Chesapeake and Ohio Territory, and the legislatures of the five great States in which it lies are friendly toward the needs and aims of enterprises they invite and those they already have.



# CHESAPEAKE *and Ohio* LINES



# Washington and Your Business

## Burned Child Dreads Fire

AT the Treasury a high official said there is no foundation whatever for the often heard story that some way will be found to grant credits to the Allies:

It is even possible that they will be compelled to pay spot cash for their purchases, for the acceptance of a check involves the extension of credit, even if for only a brief period. We hold too much of their paper from the last war.

He predicted there will be no war sales on a large scale, no war boom, no ballooning of inventories, no stock market rocketing, and no old-fashioned collapse at the final curtain. He has a good record for knowing fiscal facts.

## Nothing To Do About Gold

THERE is nothing to be done about the \$16,000,000,000 gold nugget, he said. We will be forced to take more gold as rapidly as Europe buys the things we have to sell. If the war

lasts long enough we will ultimately have all the gold in the world except the little that goes into hollow teeth and wedding rings. Gold, he said, will always be the standard of value, and when the world gets back to sanity we can deal it out, a little at a time. All the nations will want it. If there is any nation then in possession of pawnable goods we might lend a little. Until then we're stuck.

## Straw Shows A Cold Wind

LICENSED prophets suggest that the appointment of George S. Messersmith as Ambassador to Cuba indicates that the Good Neighbor may be getting back to a cash and carry

basis. As Assistant Secretary of State, Messersmith was hard and dependable. He kept the personnel of the State Department up on its collective toes, and was regarded as one of the soundest advisers the Department has ever had. Secretary Hull reluctantly parted with him, but felt that Messersmith's competence was not a good reason for refusing him a step in rank and \$9,000 more in pay. He also recognized that Cuba has for a decade or more been loaded with potential trouble, and that a strong man might be needed in Havana.

## Back Door Was Not Open Then

SPEAKING of the budget, which every one is with a good deal of fervor, it is observed that Coolidge was the only President to whom budgetary pleaders could not get through the back door. The passionate beggars for a few more millions for Dry Creek were always told to see Lord:

He's running the budget.

Herbert M. Lord was the toughest Yankee who ever handled a blue pencil. He worked up to be a general in the Army because he regarded a government dollar as a sacred trust. At the Treasury it is said that Lord's budgets were the only budgets that were what all budgets are supposed to be.

## Facts About Dan W. Bell

HE is 48 years old and has been a government man for 28 of them. As Undersecretary he will be second only to Secretary of the Treasury Morgenthau. He is stocky, chubby, pleasant, and has neither politics nor political backing.

He did not want to be Undersecretary and refused to take the position until assured that his civil service status will be protected. He was Acting Director of the Budget and could have been made Director, but refused for the same reason. He has never seen any evidence of politics in the Treasury's personnel.

No particular moral in all this. Purpose only to note that the government service is filled with similarly capable men and that, without them, it might go to pot overnight.

## Finch Did Not Fare So Well

DR. JOHN. W. FINCH was chief of the Bureau of Mines in the Interior Department. He is a well known scientist and his reputation as an engineer and geologist is world wide. His

appointment, early in the New Deal, was hailed in scientific circles.

Few things have so stirred the scientists in government employ as the news that he has been forced out because he had defended the Bureau of Mines against Secretary of the Interior Ickes, who is neither a geologist, a scientist nor an engineer.

## Sunday Trucks May Be Barred

THE Highway Users Conference notes that, in several states, efforts are being made to bar trucks from the highways on week-ends and holidays, when Papa and the folks go out for their good time drives. To head off this movement, truckers in several states are voluntarily restricting their operations. No one has yet suggested that the family cars be kept off the roads during the rest of the week, but at the rate we are going in for regulation some one probably will.

## Maybe Hopkins Didn't Read It

THE annual report of the Department of Commerce, signed by Secretary Hopkins, is worth reading by any business man. Full of information and observations. On Page X,

for example, the first doubt of the all-wisdom of the Government's economists this corner has ever seen in official print is expressed:

The sharp bulge in federal income-creating expenditures in 1936 appears to have been a factor in the development of the dangerous inventory accumulation of that year. Again, the sharp reduction of the federal net contribution played a part in the sharp decline of 1937-38. So powerful are these instruments of the federal Government that their application requires the most careful and consistent adjustment to economic developments and an avoidance of abrupt modification.

It is a coincidence that this warning to the Government appeared just at the time the T.N.E.C. is warming up a plan to lodge control of the insurance billions in federal hands.

## Buck Passed To Congress

FIRST judgment of some commentators on the January decisions of the Supreme Court, by which the authority of the N.L.R.B. seemed to have been increased was that the

liberals have completely captured the Court. More careful consideration shows that the Court has reaffirmed what it had affirmed so many times before, that it is not a judge of the practicality or wisdom of an



act of Congress, if that act passed the constitutional test. In the opinion of some observers it adds to the probability that the Labor Relations Act will be completely recast in 1940. In turn, this adds to the certainty that 1940's session will be flaming hot and not less than five months long.

### Madden May Be Boosted Down

THE Administration's present plan is to soften the attack on the Labor Relations Act by giving J. Warren Madden a judgeship and replacing him by a man more in harmony with the ideas that Dr. Leiserson acquired in his years of experience in the Railway Mediation Board. Both sides were content with Leiserson as a capable and judicially-minded man.

The same observers referred to in the preceding paragraph doubt that the maneuver will be successful. It would only call renewed attention, they say, to the defects of the law, and add weight to the contention of the backers of the Logan bill that a law must be so written that it cannot be given varying interpretations as the interpreters are shifted.

### S.E.C.'s Cards on the Table

THE investigation of the S.E.C. by a committee of the House will be based on one clear-cut issue:

Is it the function of the S.E.C. to interfere in the management of American business? Or was it the intention of Congress to confine the S.E.C.'s activities to regulation?

The Consumers' Power Company of Michigan asked permission to sell \$10,000,000, in bonds. The company's credit is so good that it could obtain this money at three per cent.

The annual load would be \$300,000. The S.E.C. directed the Consumers' Power to sell common stock instead. The annual load would be somewhere near \$800,000. Those are the only facts that count. If the S.E.C. can make its order stick, it can similarly impose its will on every other business concern, from the man who sells peanuts in front of the White House to Senator Norris' wabbly "Little T.V.A." in Nebraska.

### Nothing to be Done About It

SO far as this department has been able to discover the S.E.C. will have its own way. The Supreme Court will not overrule it, as shown by its recent decisions. The House may investigate and report. But the law cannot be changed except with the consent of the Senate. There is no probability that the Senate will consent. Jerome Frank might quit the S.E.C. and go into private practice, as has been often rumored.

No one has suggested that a conservative would be named in his place, and so upset the present three-two control. Those who do not like to have a camel in the tent can do what the Arab did. He went out and sat in the sagebrush.

### Leaders Stand on the Brakes

THE oldtimers who make it their business to figure out in advance what Congress may do are consistent in reporting that the rank and file in the House are all set to rip up things. The N.L.R.B. law will certainly be patched, the wage-and-hour act will be given a going-over, the Hatch honesty in politics will be hotbed up, and a dozen or so other laws will be made fair and workable—if the rank and file have their way.

But the leaders do not want a disturbance that might go political on them. Father Divine has a phrase for it. "Peace—It's Wonderful."

### Sun Came Out the Wrong Way

NOT probable the Corcoran-Olds-Ickes group will get the \$500,000,000 they want for the purpose of setting up an electric grid in the industrial regions. The National Power Policy Committee seems to have found out the wrong things. The utilities have expanded as they agreed to do, can expand easily to fill any need, have made all the inter-connections necessary and can make more in jig time, and can get all the money they need if Government will only let them alone. These were the things the government-ownership group did not want to hear.

### Iridescence in This Ambition

ONE of the things that Sen. Harry F. Byrd of Virginia plans to do is to find out just how much money this country owes in addition to the \$45,000,000,000 debt limit fixed by Congress. One by-pass around this debt limit has been the creation of a corporation by Congress. Then the corporation creates a debt. The debt is presumably the debt of the corporation and the nation is not responsible for it. In political fact it is responsible.

Up to date Byrd has discovered about 40 government-owned corporations of various sorts, with assets and liabilities running into the billions. The balances of profit and loss cannot enter the budget until a corporation's affairs are finally wound up, and so no one knows what the nation's financial statement really should be. None of this seems to have happened with the consent of the Treasury. Mr. Morgenthau is reported to be annoyed.

### Detouring for Our Defense

THE Defense Highway plan is coming to life again. This is a scheme for building a grid of great highways, the building costs to be hooked on the national defense program. Not much is expected of it in 1940, because states must pass enabling acts, and not many states are ready to do anything of the kind. If we are invaded in the meantime detour signs would be set up at all crossroads to puzzle the enemy.

### Rough on the Alcatrazers

ILL-NATURED gossip around the Justice Department is that Murphy began to slip as attorney general the day he advocated beating the bars of Alcatraz into ploughshares and turning its tough inmates out to graze. That was one emanation of sweetness and light that fizzed from the beginning.

### Cute Trick Coming Up

TOMMY CORCORAN is credited with the authorship of as nice a little device as can be imagined. If all goes well, the lawyers now in the employ of the Government will be blanketed into civil service. No matter what administration follows the present one, the bulk of official legal thought would be New Dealish for years to come.

### Court Can Do Lively Dodging

SEVENTEEN states now impose taxes of various kinds on incomers at their gateways. The states say these taxes are not tariffs, which are forbidden between states by the federal Constitution, but are sales taxes, which they have every right to impose. The federal Departments of Commerce and Agriculture maintain that these taxes are tariffs and that they so burden business as to offer a serious barrier to recovery. The Supreme Court has finally consented to hear arguments although it has twice before refused to review decisions of the New York Court





He: *Miss Dale, you're a fast worker!*

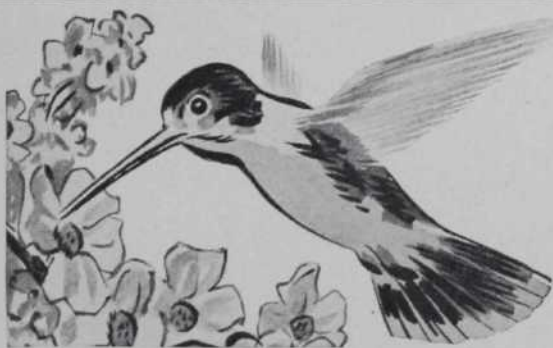
She: *Thanks! But it's just that new*

## MODEL M CUSHIONED-TOUCH COMPTOMETER

"Comptometer Economy" is a familiar (and pleasant) story to executives in almost every business and industrial field. It's a story that "boils down" to *more figure work handled in less time at lower cost*, through high speed, Controlled-Key accuracy, flexibility—and modern Comptometer methods.

And now, the handsome new Model M Cushioned-Touch Comptometer offers all the fundamental Comptometer advantages, together with many important *new* features and improvements which contribute to increased figure-work savings.

A demonstration of "Comptometer Economy," as it applies to your own figure-work problems, may be arranged by telephoning your local Comptometer office . . . or by writing direct to Felt & Tarrant Manufacturing Company, 1712 North Paulina Street, Chicago, Illinois.



**LIGHTER** key-stroke and remarkable new quietness of operation are among the host of improvements built into the new Model M Comptometer.

### NEW FEATURES OF THE MODEL M CUSHIONED-TOUCH COMPTOMETER

#### For faster, easier operation:

- Lighter key-stroke
- Flexible keyboard
- One-hand subtraction
- Improved decimal pointers

#### For greater quiet:

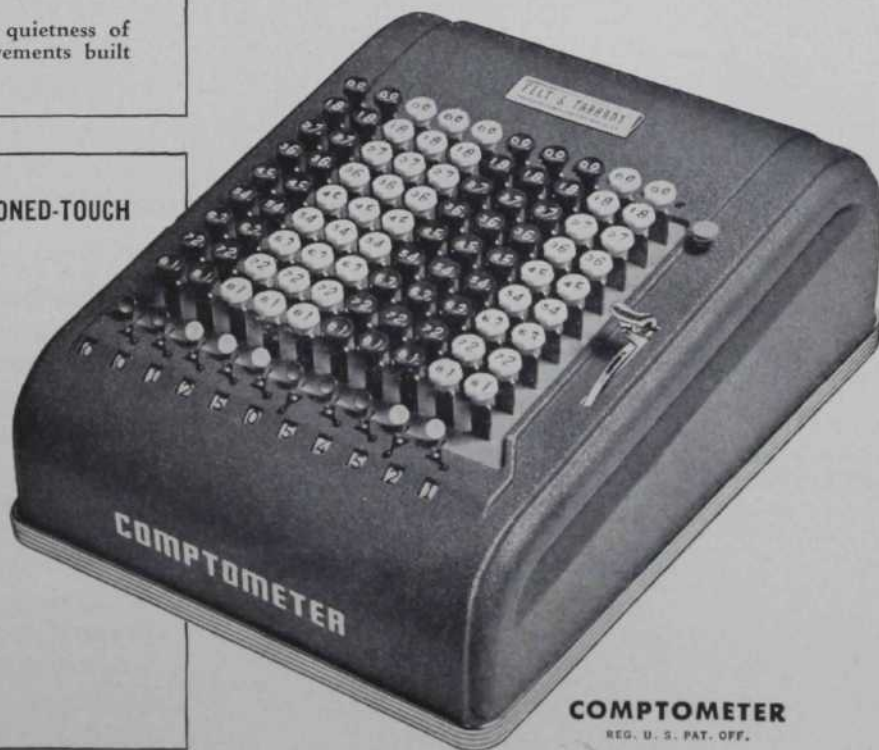
- Mechanism floated in rubber
- Scientific soundproofing

#### For improved appearance:

- Cancelling lever built inside case
- New color and modern, simplified lines to harmonize with modern office interiors

#### For minimized eye-strain:

- No-glare answer dials
- Larger, more legible answer numerals
- Restful grey-green color



**COMPTOMETER**

REG. U. S. PAT. OFF.





**"WILL THE WITNESS  
PLEASE EXPLAIN THAT  
TO THE JURY"**

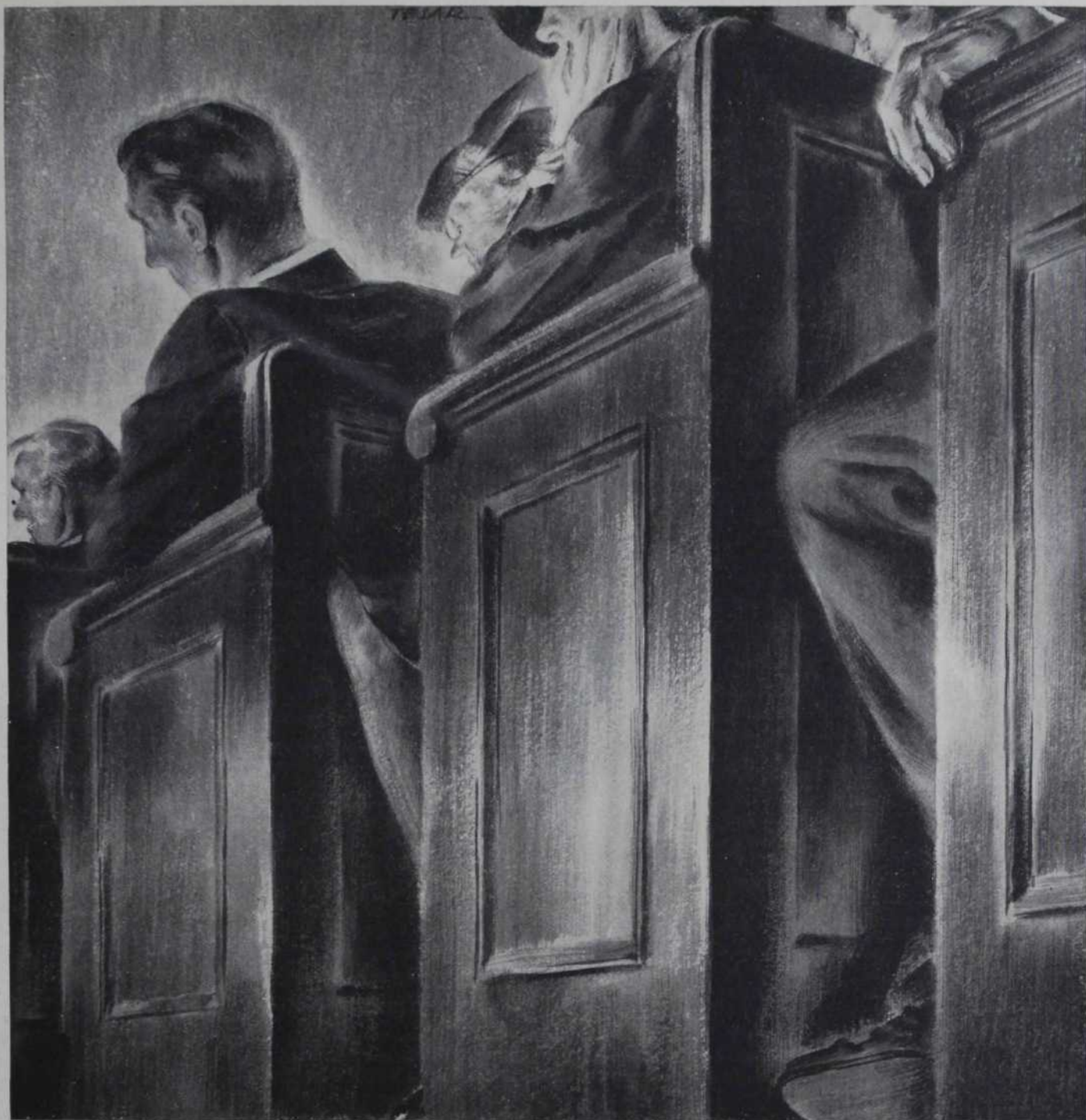
Maybe the judge knows what the witness means. Maybe the lawyers do too. But the jurors—the people who will decide the case in the end—just don't understand.

Is the witness trying to cover up something? Is he telling only half the story? Leaving out details? Purposely making it tough to get at the facts? The jury isn't sure. So they doubt what they don't comprehend—and reach their verdict accordingly.

In much the same way, Business has lost some pretty important decisions in the eyes of the American public.

Too many companies have kept quiet—while the critics of Business have been loud and persistent.





Too many companies have done their explaining only among stockholders and employees—while the enemies of Business have made themselves heard before a jury of millions.

And it is these millions of families whose confidence in a company—or whose lack of it—is probably the most powerful sales factor in America today.

That's why the heads of so many big companies are recognizing the value of public-relations advertising. That's why the companies who *have* invested in such advertising will tell you that it pays—not only by building more good will for their products, but by boosting sales as well.

If you believe your company stands for something more than its own self-interest, if you believe your company has helped to advance the American way of living, then your company has a public-relations story to tell. And today, perhaps more than ever, the public is willing to listen—if the witness will please speak so that the *whole* jury can understand.

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## THE CURTIS PUBLISHING COMPANY

THE SATURDAY EVENING POST

LADIES' HOME JOURNAL

COUNTRY GENTLEMAN



of Appeals, from which the state-line tax cases came. It is not likely that a more momentous case will come before the high court this year. It may also be recalled that on occasion the Supreme Court—the story goes back 60-odd years—has shown agility in hair-splitting.

### Bonfire Acts Like a Squib

BEST available information is that what promised to be a conflagration about the F.C.A. is likely to peter out in a dull smoke and a few sizzles. The Farm Credit Administration under F. F. Hill, would not play political ball with the Secretary of Agriculture and so Hill was eased out and Al G. Black shifted in. Definition of the affair in a few words is that F.C.A. had millions of money, acceptable assets, and a policy of making loans to farmers at low rates if they had something that looked like security. New idea is to make the 4,500 farm loan committees pull their weight in politics locally. Every effort is being made to head off a House inquiry until after the election. Argument is that not much harm can be done before November.

### No Hope for Mexican Oil

THE State Department, according to the best available information, not only does not expect to get any money out of Mexico for that expropriated oil, but does not even want to talk about it any more. Not even to Mexico.

### No Hope of a Labor Truce

SAID Jim Watson (former U. S. Senator from Indiana, keen observer of politics) to Ellis Searles (former ace newspaperman, now editor of *Mine Workers Journal*):

"Is there no way of getting John and Bill together?"

"Sure. In the same way you'd get the Republican and Democratic parties together. All you need is a formula."

### For the Sake of the Record

WATCHERS of the T.N.E.C.'s inquiry into the insurance business report that the prime movers in it are Jerome Frank and Leon Henderson, lively leftists in the S.E.C., and Isador Lubin, statistician and far to the left in the Labor Department. The T.N.E.C., these watchers report, originally planned to mull around until all the facts of the insurance business were on record. If it then seemed that legislation was desirable, bills would be drafted and closely scrutinized before they were introduced. Chairman O'Mahoney of Wyoming desired to be fair but Frank and Henderson and Lubin outmaneuvered him. They have developed nothing to the discredit of the business, but they have made it clear that, if Frank and Henderson and Lubin had control for the Government of the insurance billions, they would do some things differently.

### The Hay-Foot, Straw-Foot Jig

FROM the trend of the inquiry and the temper of the investigators it is a fair inference that the broad scheme may be to substitute compulsory government insurance for the voluntary insurance of today. Every one would be insured against accident and chicken pox and death. This would do away with insurance agents. Failure to insure would be a punishable offense, just as failure to report on income is. The money received would be taken into the Treasury and I.O.U.'s issued for it, just as the receipts of Social Security are now deposited against government promises. Nothing is being said about this just now, because "the country isn't ready for it" according to the early reports. But the tone of the inquiry shows that the plan has not been changed.

### The N.A.C.F.A. Might Forget

THE only body attached to the Government which is definitely not press-agent-conscious is the National Advisory Committee for Aeronautics. It cooperates with any one who is doing something for the science of flying. Every one of its 15 members is eminent. But when it reports on what is apparently an important new principle in airplane wing design:

"It may reduce the basic air resistance by approximately two thirds—"

Which might hold the promise of incredible speed and economy, it tucks that fact in the middle of a ten-page document and sternly withholds all whoopee and adjectives.

### What Bureau Ever Died?

THE practical certainty that the T.N.E.C. will have its lease of life extended will surprise no one. The only federal bureau that ever died was the federal Spruce Administration, which was given money during the first World War, issued stock to the total of the sum received, spent all the money and then expired without having done anything that any one now remembers. The T.N.E.C. chiefs plan a little business government of their own. They will, if they acquire permanency, maintain a constantly growing library of business facts, examine all laws, grant private hearings to affected business, and possibly act as prosecutor before the courts. The T.N.E.C. would be for all business what the I.C.C. is for the railroads.

### Eastman May Be a Witness

THE inquiry into the affairs of the Inland Waterways Corporation will not be confined to the thoughts of General and Former Chairman Ashburn as he was being dropped out of the window. These thoughts are believed to be highly interesting and of fine speed and penetration, but it looks as though the House will go farther and ask "Why Waterways, anyhow?"

In that case it is probable that Chairman Eastman of the Interstate Commerce Commission will be called as a witness. In a recent expression of opinion he observed that the waterways are now costing the taxpayers annually very substantial sums. Unless some common sense solution is reached:

The taxpayers will continue to pay interest and maintenance on account of the waterways, and the railroads will have a new hole in their revenues—

Yet it was not so long ago that Eastman was rated as being in favor of government ownership.

### Prediction for the Day

THE WATCHERS report that the F.C.C.'s advice that the Western Union and the Postal Telegraph company be consolidated by force will be vigorously resisted and that Congress will not accept it unless on terms both companies approve. That the O'Mahoney-Hobbs bill to make it worse and worse for those who break antitrust laws, even innocently, has a 40 per cent chance in the Senate and a doubtful 30 per cent chance in the House. That a law will be enacted forbidding labor unions to give money to political organizations. And that the T.V.A. will find itself on precisely the same tax basis as the privately owned utilities operating in the Big Valley.

*Herbert Corey*





REAL ESTATE



FARM IMPLEMENTS



HOUSEHOLD APPLIANCES



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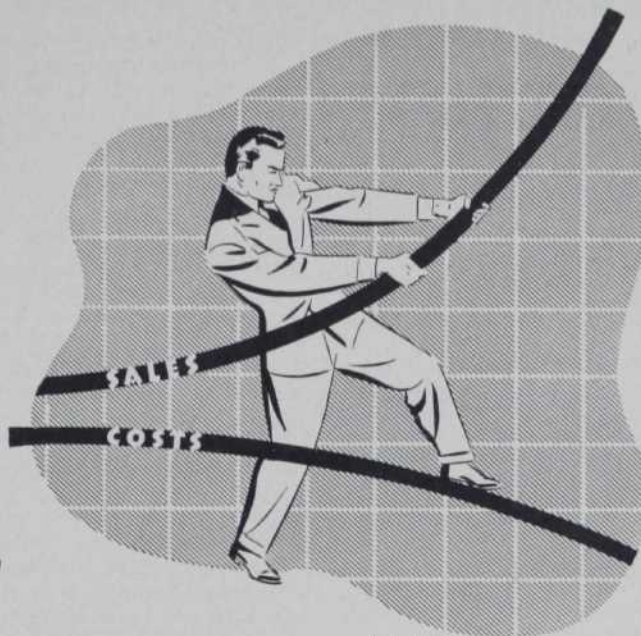
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### Loans for workers

From your company? Your directors probably feel that the company cannot finance the emergency needs of all its workers. From a bank? Banks commonly require collateral which wage earners seldom own, or co-makers they can't readily get. From their friends? Friends usually need all they make for their own expenses.

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AMOUNT OF CASH LOAN	AMOUNT PAID BACK EACH MONTH Including All Charges				
	2 mos. loan	6 mos. loan	12 mos. loan	16 mos. loan	20 mos. loan
\$ 20	\$ 10.38	\$ 3.63	\$ 1.95		
50	25.94	9.08	4.87		
100	51.88	18.15	9.75	\$ 7.66	\$ 6.41
150	77.82	27.23	14.62	11.49	9.62
200	103.77	36.31	19.50	15.32	12.83
250	129.71	45.39	24.37	19.15	16.04
300	155.65	54.46	29.25	22.98	19.24

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## Chemistry Adds New Tricks in 1939

(Continued from page 22)

A considerable quantity of sulfite is now going into the rayon industry, may find its way into the plastics industry and seems destined to new uses that to a certain degree may offset any inroads made by the white kraft.

The year past has been one of the most spectacular in the field of synthetic resins. The Bakelite Corporation was merged with the Union Carbide and Carbon interests, which was something of a surprise, although logical when sources of raw materials and the policy of bringing primary producers closer to the consuming market are considered.

### Glass of greater safety

NEW synthetics made their bows most impressively. Early in the year, through cooperation of the Carbide and Carbon Chemicals Corporation, E. I. du Pont de Nemours & Company, Inc., the Libby-Owens-Ford Glass Company, the Pittsburgh Plate Glass Company and the Monsanto Chemical Company, a new laminated safety glass was introduced under the name "Hitest." This improvement was attributable to a new poly vinyl acetyl resin. The new glass has a high degree of elasticity at low temperatures, is comparatively easy to apply. Edge-sealing is unnecessary.

Ethyl cellulose and methyl cellulose appeared and claimed attention for use in the manufacture of paper, textiles, cosmetics, and food products. Fibers made from ethyl cellulose promised to compete with those from cellulose acetate and their resistance to alkali gives them an advantage in laundering. When ethyl cellulose is used in textile finishing this property is imparted to other fibers to a certain extent. Colors are brought out in pleasing fashion and there is no decrease in strength.

Pigmented synthetic resins emulsified

in water and cured by a brief heating process after application permit marked improvement in textile printing.

The acrylic resins found interesting new uses. Great blocks of resin formed letters in signs at the World's Fairs. Smaller pieces appeared in instruments for the surgeon and the doctor. They are shaped to suit, convey light and are easily sterilized. Reflectors were found on many roadsides to mark the edge of the highways. The backs of brushes were made from such material.

Special resins were also provided for bonding mineral and glass wool; still others for brake linings. For air-drying paints, oil soluble Styrene resin was produced and, to make linseed and soybean oils more satisfactory in place of tung oil for wood finishing, resins were perfected for use with them. "Stay-belite" is the name given by the Hercules Powder Company to a hydrogenated resin which is used in insulation, in rubber compounding, printing inks, dental cements, floor waxes, paper coatings, chewing gum, lubricating greases and ceramic colors.

Conditions in the Far East have caused some anxiety with reference to tung oil, largely imported from China, although groves in the South are beginning to produce this raw material for varnishes in carload quantities. Meanwhile dehydrated castor oil is growing in popularity. "Dehydrol," developed by the Sherwin-Williams Company, is one of these paint and varnish vehicles for which non-drying castor oil is changed to a drying, odorless non-yellowing oil by the removal of the water.

But the greatest interest centered in two resins—"Nylon" and "Vinyon"—which are the first truly synthetic fibers to be produced in quantity. Nylon was demonstrated at the World's Fairs and advertised as having been made from "coal, air and water." Chemically speak-



This furniture, with exception of cushions, is made from lucite and plexiglass, two new synthetics



ing, it is derived from more complex products originating in the simpler materials.

Nylon is of special significance because it provides a clear and unmistakable example of the earning power of industrial research. In 1930, the Du Pont Company decided to appropriate a substantial sum to support fundamental research—that is, to pay for a search for truth needed in science but not necessarily in industry. Consideration led to the decision to seek data then missing relative to the polymerization of organic compounds.

In the course of this work the men took from a still a plastic mass in which the molecules were arranged like the links of a long chain. It was noted that the molten mass could be drawn out in the form of a long fiber and that, even after it cooled, it could be further drawn to several times its former length. Such a phenomenon had never before been observed, and this incident led to research toward a practical goal although the general study was continued.

### A real synthetic fiber

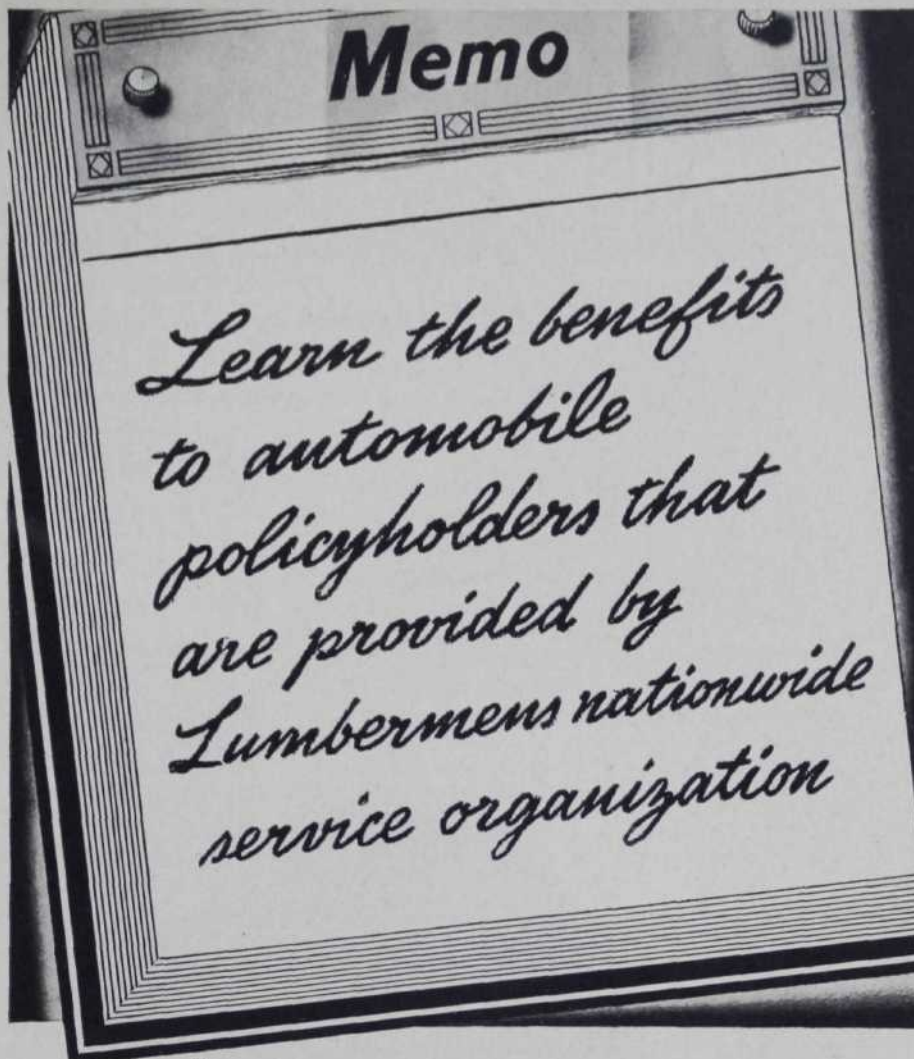
THE original fiber had little strength or elasticity, but subsequent research developed the first fiber which promises real competition with natural silk. Severe tests have been made and, encouraged by their results, the company has proceeded with the first unit to produce the fiber on a large commercial scale. Even before this unit was completed, its size was increased by more than 25 per cent. The first plant will employ some 850 persons, not counting those required in another plant where the intermediate materials will be prepared. The resin in the form of fibers has already become established. Fishermen like it in lines and leaders, and it has had extensive use as sewing thread. It can, and no doubt soon will, be offered in various other forms.

Nylon, it must be remembered, is a generic name just as is silk, or wool, or cotton.

Vinyon has been created and developed by Carbide & Carbon Chemicals Corporation, and the fiber is to be made commercially by the American Viscose Company. It has found a waiting market in filter cloth where it is prized because of its resistance to alkali and acid solutions. It has also made possible the first satisfactory cotton felt, wherein it serves to bond the cotton fibers. Hosiery of this fiber has not yet been introduced commercially, but is under test and development.

Yet another group of synthetic resins demands attention. These involve utilization of agricultural wastes. They offer low cost and are most suitable, as are many of the synthetic resins, for special services. The Department of Agriculture has developed a plastic made from bagasse by hydrolysis in the presence of aniline. Investigators in the Forest Products Laboratory have made a similar plastic from wood waste such as sawdust. The Marathon Paper Company has developed still another utilizing the lignin in waste sulfite liquor.

Getting over into a borderland, the



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industrial production of derivatives of sulfanilamide should be noted. Recognizing in this material the opportunity for developing an entirely new group of compounds for therapeutic uses, a considerable number of highly trained specialists have pursued research until several hundred new sulfanilamide compounds have been produced. Most of these have been studied in a preliminary way, but only a small number have so far proved to be more effective than sulfanilamide. Sulfapyridine has been one of the newer derivatives and others for special uses are to be expected. It may easily prove that sulfanilamide and related groups constitute one of the most important discoveries of the century.

The synthesis of vitamins produced commercially has made steady progress and vitamin K, already identified to the extent of five separate entities, made its bow in 1939. It is important because it promotes the coagulation of blood and is vital in many instances, particularly where operations are to be performed. Unfortunately, it appears to be ineffective in cases of hemophilia.

Concentrated vitamin products derived from corn oil, from wool fat and many other sources are finding their way steadily into poultry and stock feeds. Notwithstanding overadvertising in some instances, the synthetic vitamins (cheaper in at least one case than those derived from natural sources) provide new reagents for the physician.

### Self-sufficiency is fostered

THE European war has centered attention on strategic materials and an examination has shown the extent to which applied science has helped America gain a great degree of self-sufficiency. A comparison of the lists of strategic materials 25 years ago and now clearly demonstrates the gain. One item of special interest is the production of fuel required for aviation. New plants established in 1934 increase greatly the production of high octane rating fuels and still newer processes have appeared.

Neohexane is a new member of the high octane group and is produced under pressures as high as 5,000 pounds a square inch and at a temperature of about 950 degrees Fahrenheit. The present efficiency of internal combustion motors may be attributed to the cooperative research carried on by those producing the fuels and those providing the engines to use them.

It appears that further progress in aviation may depend to a considerable degree upon development of engines capable of using high octane gasolines more efficiently.

For example, while it is not yet commercial, a fuel has been prepared with a 150-octane rating.

Among the new chemical compounds, many deserve attention. The Mathieson Alkali Works is getting a plant to make synthetic salt cake from soda ash and sulfur into production. This is not true sodium sulfate but is its equivalent in the sulfate pulp process for which much salt cake has recently been imported—mostly from Germany. The excess soda from viscose sirup combines with the



acid in the setting bath to produce sodium sulfate and this has now become an important source for this material used by the paper industry.

A new process developed for treating low grade manganese ores such as those found in Cuba, and likewise useful for the low grade ores of the United States, becomes important when we remember that we now import 90 per cent of this element necessary in steel production. A new metal for cutting—Kennametal—is an alloy of tungsten, titanium and carbon.

A very small amount of lead added to certain types of steel has been found to improve its machineability.

### New solvents available

A WHOLE new family has been made available under the name of "nitroparaffins." Many of these are solvents, others are used to control gelation, and many that have been or can be made await application. They are made by the nitration of the paraffin hydrocarbons, which again refers to molecules of the straight-chain type. This work has led to building a new plant by Commercial Solvents.

Then there is "Soponox," an amino compound to prevent rancidity and discoloration in soap by restraining oxidation. This is one of the products of the Monsanto Chemical Company as is "Santomask," derived from vanillin, one of the products of sulfite waste liquor. It is used in paint to offset its odor, especially for inside work. Incidentally, this source now supplies about one-third of the market for this active principle of vanilla. "Santocel," another Monsanto product, is a silica aerogel highly efficient as an insulating material and used to increase bulk without materially increasing weight. It is also useful as a bodying agent and as an anti-tack in floor varnishes, printing inks and stencil lacquers.

A new electroplating process appeared called "molyblack." The coating deposited is molybdenum and nickel; the color is jet black. The coating is hard and deposits satisfactorily even in deeply recessed places.

Year by year more and better trained men and women enter upon programs of industrial research. Industry is becoming fully convinced of the importance of such work and is supporting it accordingly. There is every reason to expect more and better results as time goes on.

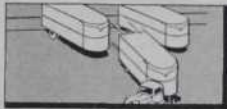
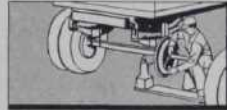
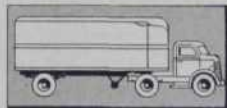
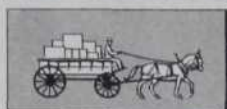
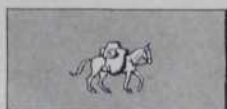
### Markets and Prices

FURTHER example of voluntary price reductions, in this case reflecting an ever-broadening market, is provided in latest quotation on "Cellophane." New figure marks twentieth consecutive cut since domestic manufacture of cellulose film was started by du Pont in 1924. Price of plain "Cellophane" is now only 12 per cent of original price.

Du Pont officials, commenting on the reduction, said current output is at record level with outlook for immediate future quite promising, war or no war.

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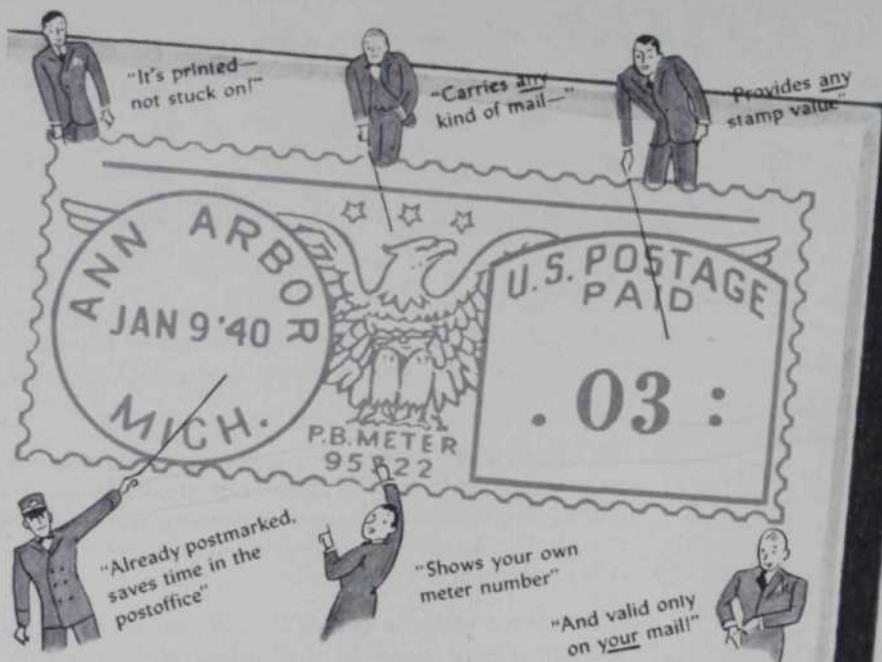


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## The Truth About Milk Prices

By EDWARD FISHER BROWN

THE SUPERFICIAL examination of an unfamiliar subject often "discovers" something which further investigation by the amateur would show to be "old stuff" to those who know their groceries. Such was *Fortune's* "last word" on the milk situation in its November number.

After the young *Fortune* researchers had labored for weeks they "discovered" that milk can be supplied to consumers at a lower price if distributed through retail stores instead of by home delivery. To them this no doubt seemed sensational, but to us in the dairy industry who have known that fact for a long time it looks like the discovery of the obvious.

That this is not news even to consumers, at least in New York City, is evidenced by the fact that only 41 per cent of the milk consumed is home delivered. Milk companies have helped the stores to make this an established fact, so that their product might be sold to a wider income range of consumers.

Of course, the cost of delivering to stores is less than from door to door. But against this difference must be set off the store's margin. Allowing for that, milk can be bought in New York stores at from 1½ to four cents a quart less than the retail delivered price.

### The price differential

IN A few thousand words *Fortune* admitted that, for the country as a whole, the difference in the two prices is about 1½ cents. It contends that the differential should be more and that therein is the answer to the milk price problem. Its investigators assert that milk can be sold for three or four cents a quart less than prevailing prices.

That's saying that we could sell milk through the stores at a differential more than twice as great as at present, and yet leave the retailers a margin sufficient to induce them to handle milk. It would call for somebody giving away a substantial part of the value in milk.

Repeated investigations and audits of milk distributors' operations, some of them by hostile agencies, have shown that, after actual operating costs are covered, the profit is about three mills—less than one-third of a cent—a quart.

In the face of these facts, easily



verified and of fairly common knowledge, the statement that milk dealers have it in their power to sell milk three or four cents a quart cheaper is preposterous. I challenge any economist, amateur or professional, to produce evidence that it can be done practically.

If prices were reduced, they would have to be whittled off one or more of these five places:

1. Price paid the farmer, fixed under the Federal-State Marketing Order in New York and about 25 other important areas in the United States.
2. Delivery costs, determined largely by wage scales negotiated with the union, plus service, maintenance and replacement charges for trucks and other equipment.
3. Taxes (exclusive of federal levies they amount to one-half cent a quart in New York).
4. Processing costs, already subjected to close pruning by some of the nation's leading engineers and efficiency experts.
5. Profits, which by independent and public, state-ordered audits of company books have been ascertained to average three-tenths of a cent a quart.

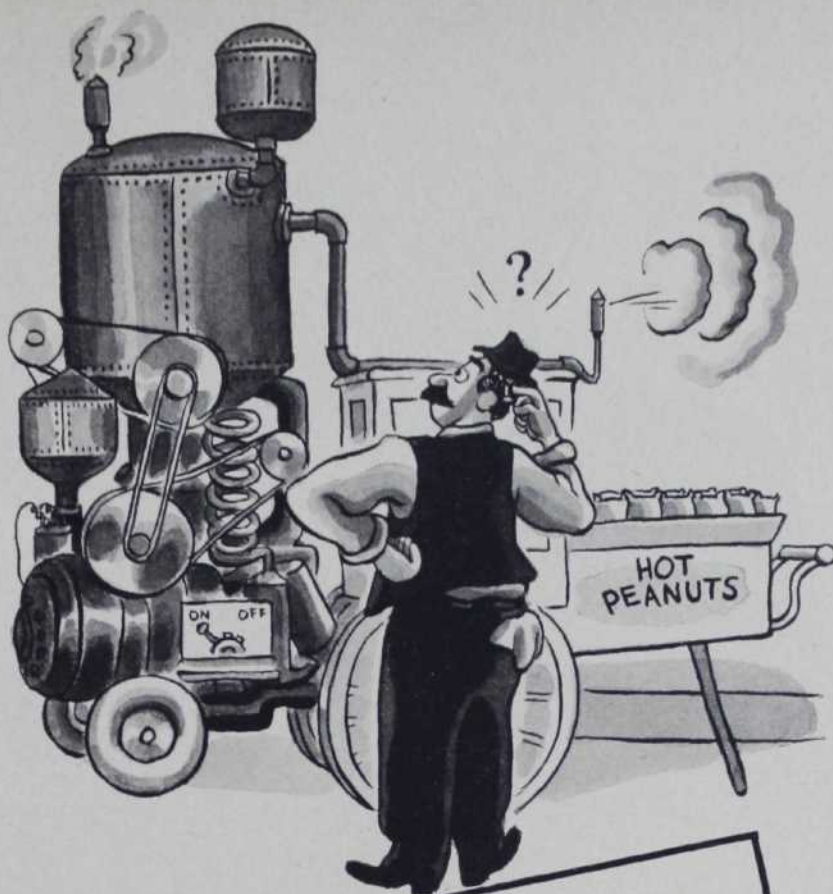
### Efforts to lower prices

IT IS at once apparent that only two items—delivery costs for truck maintenance and replacement, and processing costs—are within the control of the milk dealer, if we except profits, which are already far below what constitutes a reasonable return on net worth. In New York and elsewhere the dealers are doing something about delivery costs by introducing the new paper container enabling customers to save  $1\frac{1}{2}$  cents a quart on delivered milk.

As for processing costs, if *Fortune's* investigators, after six weeks of discovery, can show the milk industry how they can be pared and thus solve one of the most baffling business problems of the country—one that has engaged our leading economists—we might be inclined to retain them as technical consultants. But they would have to do more than "pen-sniping."

In an effort to show that increased consumption at lower prices would justify a cut, the decline of eight per cent in milk consumption between 1929 and 1936 is cited and attributed to high prices. But that argument collapses when we remember that consumption of nearly all goods fell off during those hard years, most products more than eight per cent. National income for 1936 stood at a point 20 per cent under 1929.

The price of milk has risen less than the general level of all food prices and is now considerably under what it was before mass-production economies and plant consolidations were accomplished by dealers them-



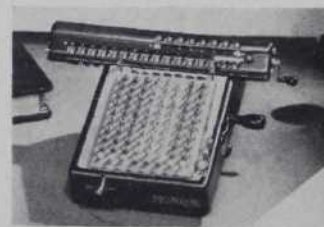
**SOMEONE SOLD PEDRO  
TOO MUCH MACHINE!**

PEDRO aska da man for littla peanut machine, the man no hava the little machines—so zingo! Pedro's stuck with a whole calliope. Another victim of too much machine because there was too limited a line to choose from. And wiser heads than Pedro's have been sold machines—figuring machines—that didn't fit their businesses any better.

### IT CAN'T HAPPEN WITH MONROE

Take adding-calculators—Monroe has no less than 24 to choose from—all the way from the small, hand operated Model L to the great Model A-1, "master mind" of all automatic calculating machines. (Also adding-listers, posting, bookkeeping, and check writing machines.)

In short, Monroe's line is so complete it can fit *any* situation in *any* business. ONLY MONROE can give you the figuring service that "fits like a glove"!



If your work calls for occasional figuring in your office, at home, on the road, here's the answer: Monroe Calculator (Executive Model). Only  $7\frac{1}{2}$  lbs., occupies no more area than a letterhead.



For easing the load of volume figures, Monroe Calculator A-1 has no equal. Completely automatic, with automatic short-cut multiplication—a new and unique time saver in mechanical figuring.

MONROE CALCULATING MACHINE COMPANY, INC. • ORANGE, NEW JERSEY





## *They will pay—They won't*

Plucking a daisy's petals is as conclusive as any other way of forecasting your customers' payments on their open accounts.

There's *no* certain way of knowing that *debtors* will pay for goods. But there *is* a way of knowing that *goods will be paid for*. Cover your accounts with

### American Credit Insurance

and observe the terms of the policy in shipping goods. If debtors default you are reimbursed. The same applies to reorganizations under the Chandler Act. If debtors slip into arrears, you have recourse to a most efficient delinquent debtor service.

Executives: you have invested a tremendous amount in producing, advertising, selling, and shipping goods. *A fraction of a cent per dollar of sales* safeguards your receivables—the most intangible of all your assets.

Many different types of policies are available to Manufacturers and Jobbers. Investigate American Credit protection. It pays.

## AMERICAN CREDIT INDEMNITY CO. OF NEW YORK

J. F. McFadden, President • Chamber of Commerce Building, St. Louis, Mo.

OFFICES IN ALL  
PRINCIPAL CITIES OF  
UNITED STATES  
AND CANADA

Copyright 1940, American Credit

Indemnity Co. of N. Y. Y2

selves. Home delivery is not responsible for the price of milk. Fixed costs of labor and government, neither of which is subject to control by the dealers themselves, are the principal factors. Milk dealers do not make it obligatory for people to buy their milk home delivered. They sell both ways because they owe a duty to those who want delivery service.

*Fortune* makes this charge:

They (Americans) know that, whereas the farmer gets between three and five cents for his milk, they are asked to pay from nine to 16 cents for it. They know that this is neither equitable to the farmer nor to the consumer.

The reader is left wondering what the writer of that paragraph had in mind. He breathes solicitude for the farmer and yet in another place assails the "big farmer cooperative" as a "clumsy and arbitrary instrument" of price negotiation by men whose minds are formed in "brierwood mold."

### Farmers help their prices

IF *Fortune* is concerned to see that the farmer gets a fair price for his milk, it should favor the farm cooperative because it has accomplished that very thing for its members. Farmers receive 44 cents of the consumer's milk dollar compared with 36 cents for all food products and 29 cents for fruits and vegetables.

If, on the other hand, *Fortune's* concern is centered on getting lower prices for the consumer, it should have been courageous enough to offer a direct proposal to that end. Does it want the three or four cents taken from the farmer's share or from the union drivers?

Both of these would be unpopular causes. So, as in most such assaults, *Fortune* finds its principal villain in the big milk companies. Take it out of the hides of the corporations, is its solution. That's always the politically popular side, even though, as in this case, it does such violence to the facts that none should be fooled except those who expect to get their milk free.

### When You Change Your Address

... please notify us promptly. Your copies of *Nation's Business* will then reach you without delay and without interruption.—NATION'S BUSINESS, 1615 H. Street, N.W. Washington, D.C.



## A Matter of Form

THIS is a lovely afternoon—too good to be marred with the thoughts that most typists have when struggling to make the duplicates of the current Form 1120 mirror the perfection—as to typing—of the originals.

It's a dozen years since I met my first corporation income tax return, Federal. Almost simultaneously, I met for the first time a revenue agent—he called at my employers' office whilst I was typing a return for a client. The question then uppermost in my mind, I put to him:

Why doesn't the Government Printing Office space the ruling on these forms to fit the average typewriter?

He didn't know the answer—and I've never found anyone, including the Printing Office, who did.

The average government form seems to be spaced for longhand writing. For typing on the ruled horizontal lines, the operator may not use the automatic spacer but must use the variable line spacer—which means that valuable seconds are wasted in preparing each sheet.

The current form 1120 (Corporation income and excess-profits tax return) requires the taxpayer to file his return in duplicate. If he prepares the return himself, there is a triplicate which he retains; if he has his attorney or accountant prepare it, a fourth copy usually is included, to be retained by that individual. The catch is: The Printing Office prints the original on (symbolic) blue; the duplicate on green; put the top edges of a blue and a green even and hold the pages against the light—you will see that the printing on the blue sheet shows slightly above or below that on the green.

### Test for disposition

SOMEDAY when you have a lot of spare time and your disposition is in the pink, try arranging one blue with two or three green sheets, interleaved with carbon paper, so that the text of the original will be aligned with that of the duplicates. When you think you have it "set," insert in the nearest typewriter and type a few words and figures in the established spaces. Original is of course perfect; but take a look at the first carbon copy—ten to one the typing is above or below the printed line.

It would seem a simple matter for the Office to cut its green paper the same size as the blue, or vice versa, so that the final printing would fall on identical lines. Further, it does not seem too much to ask that the horizontal lines be spaced six to the vertical inch (for single-space typing); and that the amount columns be ruled at least  $1\frac{1}{4}$  inches wide, allowing for insertion of amounts to 9,999,999.99, date columns one inch wide, and description columns two inches wide. Even if it takes an act of congress to effect the change, it would seem more than worth while to eliminate the waste of time, effort, spoiled sheets, and ruined dispositions caused by the present system.

—PENN AMES

# "Flying saves me more than 30 days each year"



SAYS WILLIAM E. HOLLER,

*General Sales Manager of the Chevrolet Motor Division of General Motors, and Author of "Step Out and Sell."*

"Without the enormous amount of time saved through Air Transportation, it would be impossible for me to visit all of the 45 zones and 9 regions in Chevrolet's field organization. In a normal year it takes more than 5 months to visit these headquarters and the 8,600 Chevrolet dealers who come to their zone cities for meetings.

"Last year, for example, I saved more than a month's time by using Air Travel. I prefer to fly at night. For long distance trips of over a thousand miles, I take a sleeper and save many hours of daylight. For shorter trips, I finish my work in one city, fly to the next, establish headquarters in a hotel, and am ready for a full day's work without loss of daylight hours."

*This endorsement given without compensation*

## SIMPLE ARITHMETIC

Less time spent on the road—more time at productive work. That is the simple arithmetic of why it pays you and your men to fly. Besides, Air Travel, in many cases, costs no more than first-class railroad fare, when extra expenses are added in; sometimes even less. Why not phone the nearest airline office and ask for a representative to call and show you how and why air transportation has proved most profitable for other companies—and how

it can be of service to you and your men.

ASK YOUR TRAVEL AGENT: It's easy to buy an air ticket to any place in the United States or the world. Simply phone or call at any Travel Bureau, Hotel Transportation Desk, Telegraph office or local Airline office, for airline schedules and fares.

AIR TRANSPORT ASSOCIATION  
135 South LaSalle Street, Chicago, Illinois  
*This educational campaign is sponsored jointly by the 16 major United States Airlines, and Manufacturers and Suppliers to the Air Transport Industry.*

# FLY

IT PAYS TO

TRAVEL, MAIL, SHIP BY AIR

*Air Mail gets there FIRST, and gets FIRST attention—for only 6c an ounce.*

*Air Express packages get there FIRST. Low cost, world-wide.*

*Call Air Express Division, Railway Express Agency.*



# No Business Can Escape Change

**Business continues New Year resolves to add continually to life's conveniences**

**1 • DAYLIGHT** color film can now be used in taking flash pictures without filters by using a new blue-coated flash lamp. It may be used to supplement daylight or for color pictures at night.

**2 • TO THWART** attempted hold-ups a cashier's chair is now made with a triple-locked safety deposit box located unobtrusively under the seat. A slot allows the cashier to slip in currency easily, but two keys are required to open it.

**3 • FOR** laboratories there is now a watch glass that is chemically stable, mechanically strong, heat resistant, easy to stack and to use. The edges are fire-polished to prevent chipping.

**4 • A LIQUID** level gauge now available gives remote reading at any distance. It reads tanks up to 50 feet in height to the nearest eighth inch. It can be used on sealed tanks without danger of vapor loss. One indicator panel may be used for up to 24 tanks.

**5 • A NEW** eraser shield for typewriter use has cupped openings for thumb and forefinger which grip the shield firmly to the paper preventing slipping.

**6 • FOR** photographers a new photoflood lamp has been developed which has a built-in inside-silvered reflector. This bulb combines a concentrated beam of light for highlighting with soft diffusion.

**7 • FOR HOMES** with oil heating plants a box to house fill and vent connections fits flush with the wall, opens with a special wrench to prevent tampering.

**8 • FOR PUTTING** glue on labels, seals, stickers, there is a gluing machine through which labels up to 5½ inches in width can be fed rapidly with one hand. It has two reeded brass rollers, spreads evenly to the corners without an excess to be wiped off.

**9 • A HANDY** opener for cartons has a V-shaped slot with a blade resembling a safety razor blade inserted in the angle so that when the opener is run around the edges the top is lifted off without muss.

**10 • A PRE-FINISHING** treatment for fir plywood is said to make later finishes—staining, painting, or enameling—without checking or the wavy grain appearance often found on this wood.

**11 • A NEW** model dictating machine has a base only half a square foot in area, may be had with a zipper case for easy portability, can be used in office, home or train, is ruggedly built.

**12 • A NOVEL** pocket lighter for pipes is so designed that when tipped to the side it produces a long slender flame downward. Held upright it gives a conventional flame for cigarette lighting.

**13 • SURFACES** of pure nickel or chromium bonded to an aluminum base are now available in sheets. Bright or satin finishes are available. The sheets can be bent, stamped, or moderately drawn without damage to the permanently bonded coatings.

**14 • AN** aluminum paint that's brighter and stays bright longer is said to be produced in a coating which contains a solution of chromium and finely particled aluminum powder. It is recommended for interior or exterior use.

**15 • FOR** baking biscuits, muffins, and the like at the table a new small electric baking unit is made. It has a chromium finish, cool handles.

**16 • A NEW** punch for three-ring binders is small enough to use in the hand and to keep in a desk drawer. It is accurately and permanently spaced, takes one or several sheets at a time.

**17 • A NEW** non-inflammable paint remover combines high removing efficiency with safety against fire. It acts fast, stays wet, is deep-cutting and leaves no waxy residue.

**18 • VARIATIONS** in welding current that might make a defective weld are shown by a new recorder that gives a bell signal and cuts off the welding current when a defective weld is made.

**19 • FOR THOSE** who must work on ladders there is a steel plate designed to strap under the shoes. It has an undersole of long-wearing rubber matting to resist slipping and a grooved arch to grip the ladder rung.

**20 • FOR** automobilists a small dash instrument has been designed to show the state of battery charge. It gives proper indications for hot or cold weather whether the engine is running or standing idle.

**21 • INTERIOR** glass block panels are conveniently and quickly constructed with new prefabricated metal shapes that provide a strong self-aligning framework that secures each glass

block. In dismantling the material is all salvageable.

**22 • FOR** gardeners there is a kit containing a growth-promoting vitamin for plant treatment.

**23 • AN ENAMEL** for use on concrete floors, dados, or on any interior surface subject to abrasion, is said to dry overnight to a hard glossy finish and to give long wear.

**24 • A MACHINE** recently developed makes possible composite metal with an ordinary steel base and a surface alloyed with chromium and nickel. Unusual wearing qualities are available at low cost. Its thickness is as low as .01 inch.

—W. L. HAMMER



**25 • A NEW** shield for grinding work has non-shatterable glass and lamps under the plastic framework so arranged as to throw light on the work, not in the operator's eyes. Magnifying lenses of any focal length are available for work with close limits.

**EDITOR'S NOTE**—This material is gathered from the many sources to which NATION'S BUSINESS has access and from the flow of business news into our offices in Washington. Further information on any of these items can be had by writing us.



**Tremendous Power  
made Flexible...**  
*... that's Rotogravure!*



● Modern fire tugs are equipped to do two jobs: they can throw terrifically powerful streams of water on the spot from which a fire is spreading or envelop an entire area in a cloud of saturating moisture.



**I**N ADVERTISING rotogravure offers a combination of power and flexibility no less unique, no less serviceable than the fire tug's.

By using individual rotogravure sections you can concentrate an intensive and tremendously powerful stream of sales messages on any single city, area, or zone where special efforts are indicated—or by using low cost groups you blanket the nation so thoroughly that you will cover almost two out of three English speaking homes.

Moreover, in the case of rotogravure, coverage means not printed messages but read messages. For surveys made

according to the Gallup method prove rotogravure to be one medium whose advertising pages are noted by more than 80% of their total potential audience.

What happens to advertisers who make use of rotogravure's power, flexibility, and reader interest is shown through case studies on the following page. For the experiences advertisers in your own field have had with rotogravure, write Kimberly-Clark. Because in addition to manufacturing Rotoplate, Kleeffect, and Hyfect—three of the most widely accepted rotogravure papers—Kimberly-Clark maintains a research and a statistical bureau to serve publishers and advertisers. The Kimberly-Clark Corporation, 8 South Michigan Avenue, Chicago, Illinois



# Home Furnishing Manufacturers



*Get more  
for their  
money in  
Rotogravure*



## **A & M Karagheusian, Inc.**

"This is the ninth successive year in which we have used rotogravure exclusively. We believe it has every advantage both of a magazine and newspaper, high visibility, beautiful reproduction of detail, plus the chance to pick the most productive territories and pound them hard at the most effective time."



## **STEINWAY**

"Steinway and Sons use rotogravure for three reasons."

"First, the rotogravure section is one of the best read sections of the newspapers."

"Second, rotogravure gives the opportunity to do the artistic presentation so necessary with a quality product."

"Third, the rotogravure section comes into the home when the entire family is there and gives the opportunity for discussion."



## **HOLLAND**

"The enthusiasm with which this (rotogravure advertising) is received by our branches and the number of returns definitely traceable to it speak highly of the effectiveness of rotogravure and is indicative of its tremendous reader interest."



## **WILLIAMS OIL-O-MATIC**

"We selected rotogravure because we believe it is the most thoroughly read part of the Sunday paper and because its ideal flexibility provides 97% coverage of the 14-State Heating Demand Territory."

# Kimberly-Clark Corporation

Established 1872 • Neenah, Wisconsin • 67 Years of Service

**NEW YORK**  
122 East 42nd Street

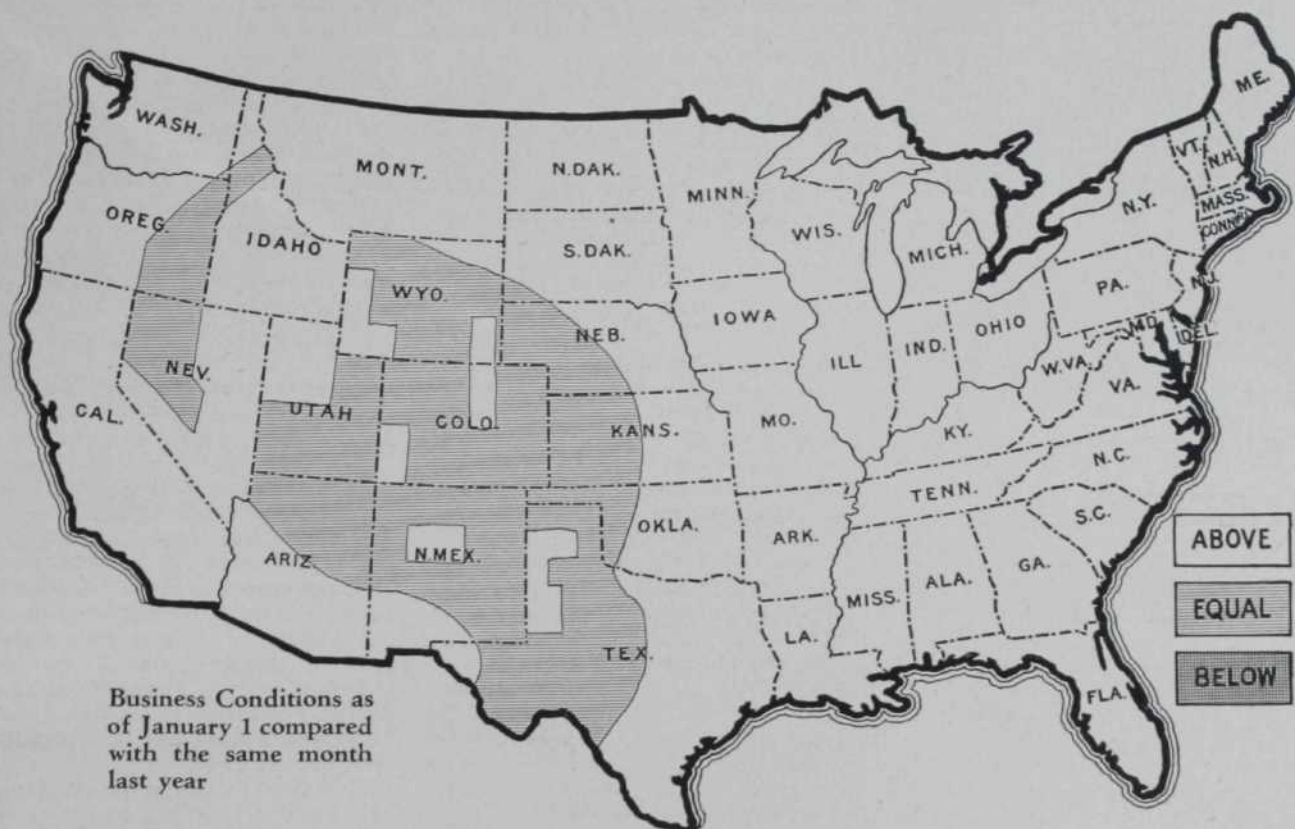
**LOS ANGELES**  
510 West Sixth Street

**CHICAGO**  
8 South Michigan Avenue



# The Map of the Nation's Business

By FRANK GREENE

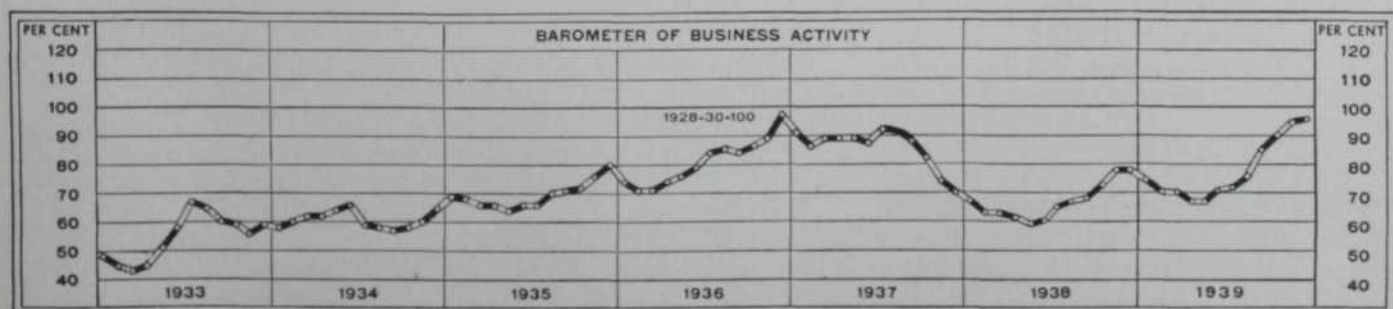


DECEMBER industrial production held at high levels. Steel mill order backlogs declined little although operations averaged only about 85 per cent of capacity. Automobile production, the highest since June, 1937, failed to keep pace with sales, leaving dealers' stocks below normal. War orders were still important only in aircraft and machine tools.

Electric power output set repeated all-time records and carloadings were the month's best since 1936. Engineering awards were below last year, however, despite a continued increase in private construction. Stock price movements were narrow, ignoring increased corporate earnings, and trading volume was the lowest in 18 years.

Department store trade was eight per cent and mail order sales ten per cent above last year, with holiday buying the best since 1929. Wheat prices soared with reports of record drought, while commodities generally touched two-year peaks. Business failures increased slightly. Bank debits rose slightly but clearings declined.

The brighter map reflects good holiday buying at retail as well as the continued high rate of industrial activity



Following the sharp upswing since the outbreak of war in Europe, business activity continued at a relatively high level in December despite a seasonal slackening in some lines.





IF IT'S A WATCHMAN'S  
CLOCK YOU NEED

**DETEX**

*has the answer*

● There is no one watchclock exactly suited to the needs of every business. This is why the complete Detex line includes watchman's clocks designed for the small factory employing a single watchman as well as clocks for the large plant covering many acres—why the Detex line includes portable clocks, stationary clocks and clocks operated by electricity.

Detex is the only company manufacturing a complete line of watchman's clocks; and because the wide Detex line includes all types of watchman's clocks, you can secure unprejudiced advice from the Detex Company on a watchclock built to suit your particular needs exactly.

There are today in excess of 100,000 Detex watchclocks in operation—a good testimonial as to their reliability and efficiency. See your nearest Detex dealer or write for complete information.



DETEX WATCHCLOCK CORPORATION  
80 Varick St., N.Y. 4153 Ravenswood Ave., Chicago, Ill.  
29 Beach St., Boston. Rm. 800, 116 Marietta St., Atlanta

**DETEX**

WATCHMEN'S CLOCKS

NEWMAN • ECO • ALERT • PATROL

## Young Partners with Henry Ford

(Continued from page 32)

ognized as an answer to criticism of his statement that "an individual can live from a relatively small piece of land if he properly cares for it."

In the success of Camp Legion he thought there was an especially important message for American business men:

These camps should show younger business men that they can put over a permanent out-of-the-depression movement if they try. Many business men criticize the Government for regimenting youth, but they offer no alternatives. This camp idea is one. They ought to try it.

The boys themselves are the problem children of the depression; lads like young Billy, eldest of a family of three, who graduated from high school and then found he couldn't get a job. Or like Herb, eldest of four children of a disabled World War veteran, who graduated from high school when he was 17.

"I couldn't get a job," Herb said. "I tried for four months without luck. Then they put me to work here weeding. It was the first job I ever had. Boy, did I go after those weeds!"

These "converted" farmers represent a cross section of the unfortunate in our great industrial cities. In the camps they have learned farming, salesmanship, simple bookkeeping, and self-discipline. Then they learned a trade that they might work and live as self-respecting Americans.

Daily routine in the camps is strict, but each boy not only has gained his self-respect, but the conviction that waste is

wicked, that punctuality is a virtue. The boys live military fashion. Their day begins at 5:45 a.m., when they are routed out by a bugle blast. They sleep six in a tent that is built for eight. The tents have wooden floors and radios.

They make their beds before breakfast, take turns at kitchen duty, and clean the camps and grounds before going to the fields. They start work in groups of 15, each with a leader chosen by the director. The remaining lads do "kitchen police." The latter shift is changed each day.

### Lunch on the job

LUNCH is served at 11:45 and they return to work at 12:30. At 3:30 they have a 15 minute recess, when the kitchen police bring out to the fields such refreshments as soup or apples. Then, too, they get their first report on how the big league ball games are going that afternoon. Work in the fields ends at 4:30 and dinner is served an hour later. From then until ten when the lights are out, their time is their own. They are provided transportation to the motion picture theaters in town, but more often they play baseball or football on the play fields which they have built adjacent to their camps.

This year the camp director added a new note to their leisure when he arranged semi-weekly dances for the boys at nearby schools. For many of these youngsters, such an evening was a new experience and it took time and patience on the director's part to acquaint all the

## Reputations Get Smashed



Wendell L. Willkie, President  
Commonwealth & Southern  
Corporation

"Democracy will be gradually undermined if men can be put on the witness stand without protection of counsel and without any adequate opportunity to answer. . . . There is no quicker way to destroy the rights of an individual than by destroying his reputation by the process of putting a man on the witness stand and examining him very pleasantly until the 11 o'clock deadline for afternoon papers, and then making a speech to him, and when he starts to answer, saying: 'I will take the rest of that up with you later.' And another reputation is gone."



boys with the manners necessary to such social intercourse.

The satisfaction of self-expression is evident in the weekly mimeographed newspaper which the boys published in both camps this year. If not in format, at least in editorial content these papers mimicked their professional prototypes. The condition of crops and sales were chronicled along with gossip of the boys' social activities.

The food which the boys serve in their mess halls comes directly from the Ford farms and commissaries. A dietitian prepares the menus and the helpings are limitless.

That the food is well balanced and good is attested by the fact that not a boy has been ill and a number of young fellows gained as much as five pounds the first week in camp.

The system of camp organization is simple. The director supervises in such a manner as not to interfere with the boys' chosen leaders. Under the youthful camp foreman, picked from the outstanding boys early in the spring, is one youth directing sales at the roadside market and another in the fields in charge of gardening. Experienced men from Ford's own farms advise the boys, suggesting methods of planting, cultivating, fertilizing and reaping crops; but in no instance sharing in the work or profits.

### "Mr. Ford figured it out"

COMPLETING the facilities in each camp are the power plants and shower baths. Warm water for the baths is provided by hooking the hot water storage tank to the Ford V-8 motor that powers the electric generator. Water pumped through the motor to cool it comes out hot. The boys insist on showing the system to visitors.

Proudly they point out, "Mr. Ford figured it out himself."

Under a bower of tall elms, half-a-mile across the fields from the tents at Camp Legion, the white clapboard sides of a chapel stand out against the deep green of the woods and fields. There each Sunday morning the boys gather for non-sectarian services which they conduct themselves. Nine of the boys built the chapel last summer. Knowing nothing of carpentry, they brought several carpenters from the Ford plant and paid them the wages they regularly receive in the factory.

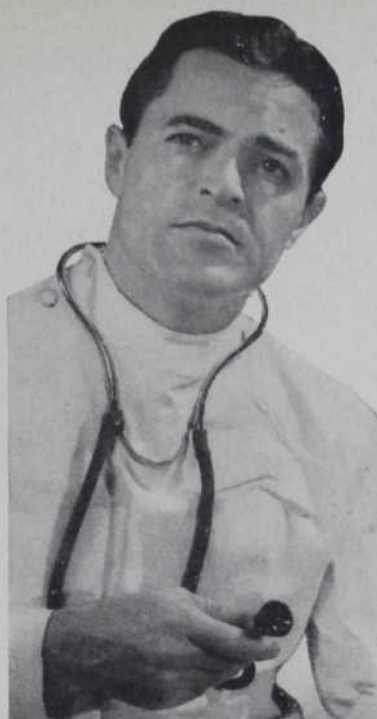
### "He's our pardner"

DICK, who graduated from high school a year ago to find no one needed any help, aptly expressed the sentiment of the boys:

"This isn't just a camp. You have to pay to go to the ordinary boys' camps and you haven't got any dough. We get paid for our work at Camp Legion and we get a shot at the profits. And then there's something else."

Dick grew serious and his eyes swept the wide, well tended fields in which he had worked all summer.

"There's something else," he said. "We can't let Mr. Ford down. He's our pardner here."



## There's a tonic for your business in these hospital floors

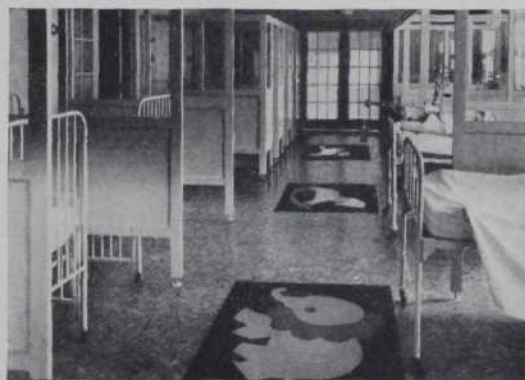


**Sanitation Is a Must** in a hospital floor. That's why easy-to-clean Armstrong's Linoleum was selected for this corridor in the Medical Clinic, Travis Building, Jacksonville, Florida. Here's reason enough to recommend this practical floor for your office, shop, or showroom.



**Even Expectant Fathers** can be cheered by color. So, the Sutter Maternity Hospital of Sacramento, California, made this Fathers' Reception Room cheerfully diverting with a colorful Armstrong Floor.

**Color Can Cure**, according to psychologists. And in this Children's Ward of the Memorial Hospital, Winchester, Va., a colorful Armstrong Floor, with interesting picture insets, does its full share in speeding tiny patients back to health. Color can also be a tonic for sales in your business home if you put an Armstrong Floor to work.



## ARMSTRONG'S LINOLEUM FLOORS

Custom Laid or  Standard Designs

**A Tonic in Book Form** is waiting for you if you write for "BETTER FLOORS FOR BETTER BUSINESS." Its color-illustrations show you how different types of businesses are modernizing with up-to-the-minute Armstrong Floors. Sent free (40¢ outside U.S.A.). Armstrong Cork Company, Floor Division, 4002 Coral Street, Lancaster, Pa. (Makers of cork products since 1860)

PLAIN • INLAID • EMBOSSED • JASPE • CORK TILE • ASPHALT TILE  
RUBBER TILE • ARMSTRONG'S LINOWALL and ARMSTRONG'S QUAKER RUGS



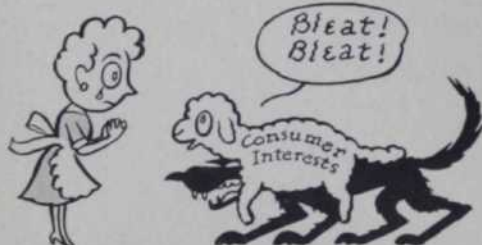
# Marketing Omnibus

## "Boob McNutt Ads"... Consumer Popular Front... Chains on the Rack... Milk Control

A slavish tendency to follow patterns of appeal indicated by market research is giving much advertising a deadly sameness, says Lynn Sumner, president of the Advertising Club of New York. Because a Gallup Poll seems to show that cartoons are popular, all sorts of advertisers try to fit their story to comic strip technique, with results that sometimes are comic only in their inappropriateness.

Trying to be scientific by following somebody's survey sounds impressive but it restricts imagination and stunts originality, Mr. Sumner believes. Ringing doorbells and telephones to ask preferences often serves a purpose, but the present reliance on such findings tends to regiment advertising and to become a poor substitute for initiative and ingenuity.

The new Roosevelt Thanksgiving failed to accomplish its purpose of aiding retail trade, according to competent observers. The larger department stores and women's apparel shops in New York City nearly all reported a severe let-down after Thanksgiving. The earlier turkey holiday did not advance the Christmas shopping season as had been expected. Shoppers followed their usual buying habits just as though the traditional Thanksgiving date had been observed.



Consumer interests is a sheepskin disguise used by the wolves of social revolution, says the Dies Committee of the House of Representatives in its special report prepared by chief investigator J. B. Matthews. His exposure confirms what NATION'S BUSINESS said about the left-wing consumer movement two years ago.

The Committee charges that organizations such as Consumers Union, League of Women Shoppers and Consumers National Federation are "transmission belts" for Communism in this country. Their assaults on advertising, it maintains, are inspired by hostility to the system of free enterprise. Some of the most subtle collectivists in the country are using this popular front to promote socialism. Donald Montgomery, Consumers Counsel of

the Department of Agriculture, is pictured as lending the powerful support of the federal Government to destroy faith in the basic concepts of American business.



L. E. Waterman Company is promoting "The Hundred Year Pen" actually guaranteed for a century. An effective answer to the Technocrats, the Stuart Chases and the Kallets, who say that industry holds back the development of more durable products in the interest of turnover.

Freedom of buyer and seller in the markets has been reasserted by the courts. In New York the State Supreme Court ruled that municipalities have no right to bar the distribution of handbills.

A chain store tax imposed by the city of Columbus, Ga., and charged by A. & P. stores with being discriminatory and confiscatory, was killed in the case appealed to the Georgia Supreme Court. The state legislature had granted to chains the privilege of operating in Georgia by paying a license fee of \$200 and the court held that for a city to inflict a special license tax scaling as high as \$1,200 amounted to the repeal of state law by municipal ordinance. The ordinance, originally approved by a scant margin of 238 Columbus voters in a city-wide referendum, was one of those openly designed to proscribe chain stores. Since the decision was rendered, the Columbus city commission has adopted a new ordinance providing a chain store license running as high as \$400.

State anti-chain taxes injure both public and producer interest and do not even accomplish the specific purpose for which they are levied, according to Dr. Maurice W. Lee of the University of Chicago. The Indiana law—a model followed by some other states—rates the severity of this tax on the number of units a chain operates in the state, without regard to volume of business. This means that the chain which concentrates its stores in a given section suffers more than a company with a far larger number of units spread over a wide territory.

The Louisiana-type law basing the tax on total number of stores operated by a chain throughout the country comes nearer the goal of penalizing "the big fellows" but still leaves sales volume out of account. Dr. Lee finds that at best these laws are an indirect tax that hits wage earners, producers, real estate owners and all consumers.

"Who is my competitor?" is a question that evokes an infinite variety of answers. One scarcely thinks of "Tums" and movie theaters as being in competition, and yet they are in at least one instance. Louis-Howe Company, makers of "Tums," currently sponsors a radio program in which once a week \$1,000 is given away to some lucky family picked at chance from telephone books. The winner is notified by phone message from his local station and must be at home or another name will be selected.

In Omaha, Neb., the manager of the Capitol Theater found that the "Tums" program was keeping folks at home when they might otherwise be at his show. He met the new competition with this offer:

Now you no longer need to stay at home beside your radio to win. If you are in attendance at the Capitol Theater during the program and no one is at home to receive the contest-winning phone call we will pay you the \$1,000.

When National Dairy and Borden's recently started delivering milk to New Yorkers in half-gallon paper containers the glass people were more than mildly interested. Glass Container Corporation made the point that, if all milk in the country had been marketed in paper containers in 1938, the container cost would have been 13 times as much as milk dealers spent for bottles during the year. But Owens-Illinois Glass takes the idea seriously—so seriously, in fact, that in anticipation the company had developed a paper container of its own.

In Brooklyn, first of New York's boroughs to have paper container delivery, the new method already accounts for 30 to 40 per cent of home delivered milk, according to the Milk Research Council.



A five-dollar bank account for every baby born on January 1 in 18 states and the District of Columbia was Esso Marketers' contribution to the New Year. The Esso gift for twins was \$200. Triplets rated \$750, quadruplets \$4,000 and quintuplets \$25,000. The company estimated, on the basis of vital statistics, that the offer would cost between \$15,000 and \$20,000. No quintuplets were expected, but there was a risk with quadruplets, of which six sets were born in the whole country in 1936. That year there were 277 sets of triplets and 24,569 sets of twins.

—FRED DEARMOND



# CHEVROLET TRUCKS FOR 1940



## BUY A CHEVROLET— PROFIT EVERY WAY

Only Chevrolet Trucks Bring You  
All These Famous Features

New De Luxe Truck Cabs

Chevrolet's Famous  
Valve-in-Head Truck Engine

New Hypoid Rear Axle

Extra-Sturdy Truck Frame

New Full-Vision Outlook and  
New Hi-Test Safety Plate Glass

Perfectured Hydraulic Truck Brakes

Specialized 4-Way Lubrication

New Sealed Beam Headlights  
(with separate parking lights)

Full-Floating Rear Axle  
(on Heavy Duty models)

(Vacuum-Power Brakes, 2-Speed Rear Axle  
optional on Heavy Duty models at extra cost.)



**Best Haulers ..**

**Best Savers ..**

**and "BEST SELLERS" in  
the entire truck field!**

Chevrolet—the nation's largest builder of trucks—now offers its great new line for 1940—56 models on nine wheelbase lengths, all of them selling in the lowest price range!

Extra-powerful Valve-in-Head Engines . . . extra-strong Hypoid Rear Axles . . . extra-sturdy truck units throughout . . . make all these new Chevrolets *gluttons for work*, whether you choose a Sedan Delivery or a Heavy Duty Cab-Over-Engine model.

And Chevrolet's famous six-cylinder economy . . . plus the exceptional dependability and long life of Chevrolet trucks . . . means that all of them are *misers with your money* when it comes to gas, oil and upkeep.

Choose Chevrolet trucks for 1940 and you choose the nation's greatest truck values . . . the trucks that have *proved* their quality leadership by winning volume leadership . . . the best haulers, best savers and "best sellers" in the entire truck field!

CHEVROLET MOTOR DIVISION, General Motors Sales Corporation, DETROIT, MICHIGAN

**More than ever, the "THRIFT-CARRIERS FOR THE NATION"**





## How Switch in Financing Methods Started Phenomenal Come-Back

Struggling Company Increases Volume  
400% In Five Years—More Than  
Doubles Net Worth

EDCO, Inc.\*, was a small and struggling concern in 1933. Its treasury had been practically gutted by reverses of the previous few years.

With credit refused by the trade, loans denied it by the banks, the company hopefully turned to us to negotiate advances on its accounts receivable.

The result strikingly demonstrates how utterly the old conventional methods of financing fail in times of greatest need, and how completely our flexible "Non-Notification" Open Account Financing meets the requirements of modern business.

Where others saw only a sorry

financial statement and *refused* the risk, we saw a going company with annual sales amounting to \$200,000 and with excellent possibilities of even greater volume and a successful future. We were perfectly willing to advance cash on current receivables and on further sales as made, shipped and invoiced.

From that point, the affairs of EDCO, Inc. took a turn for the better. Sales increased each year. Net profit ratio improved. Trade credit was restored. Today, the company's net worth stands at \$40,000 as against \$17,000, and sales have gone up from \$200,000 to \$1,000,000 annually.

\* \* \* \*

If you are having any kind of trouble, in arranging your financing, let the experience of EDCO, Inc. point the way to a quick and thoroughly sound solution. Our vast resources and long experience in industrial financing enable us to cope successfully with almost any problem. Write for our new pamphlet "COMPARATIVE COSTS OF FINANCING". Address your request to Department NB.

*\*A fictitious name, but the facts and figures, taken from our records, can be certified.*

## COMMERCIAL CREDIT COMPANY

"Non-Notification" Open Account Financing

BALTIMORE

BOSTON NEW YORK CHICAGO SAN FRANCISCO PORTLAND, ORE

CAPITAL AND SURPLUS MORE THAN \$63,000,000

## S. E. C. Still After Insurance

AGENTS for the federal Securities and Exchange Commission have demanded that they be allowed to inspect and copy the private letter files of executives of a national insurance trade association with headquarters in Chicago.

The investigators have evinced particular interest in messages passing between these executives and members of Congress. Charles Burton Robbins, manager and general counsel for the association, the American Life Convention, said that he was threatened with a subpoena when he declined Monday to hand over his private letter files.

"An agent named Blomquist," Robbins said, "came to our office and said he was in charge of gathering information which the S.E.C. would present to the congressional committee investigating monopolies."

"When he asked to see my files I said he could not, that I had letters there from members of Congress, addressed to their constituents, and that they were private. Blomquist said he wanted to see them anyway, and that he would obtain a subpoena if necessary to get them."

Robbins would not say what he would do if the subpoena were issued, but other insurance executives said the matter would be fought in court on the ground that letters were confidential and could not be seized without violation of constitutional rights.

### Favors state control

THE American Life Convention, which has a membership of more than 140 large, medium, and small American insurance companies, has undertaken a campaign to keep the insurance business under state rather than federal control, and has made charges that the S.E.C. is conducting its present investigation with a view to building up a case against state supervision.

Isaac Miller Hamilton, chairman and former president of the Federal Life Insurance Company, declared that the real object of the S.E.C. was to use the investigation as a springboard from which "to launch a drive to win federal control of the entire insurance business in the country for itself."

"S.E.C. presents all insurance information to the Temporary National Economic (monopoly) Committee," Hamilton said. "Its underlings have been discourteous to witnesses. They ask tricky questions and demand 'yes' or 'no' as answers. Trying to make out a case for one side, they ignore all fair rules of evidence."

Other insurance men asserted that the effort to obtain letters containing the views of Congressmen and Senators was comparable to the acts of agents for the Black lobby investigating committee in 1936. That committee, headed by Sen. Hugo L. Black, now a Supreme Court Justice, seized telegrams sent out by an



investor's association and aroused storms of criticism.

Less than three weeks ago Sen. Edward R. Burke (D., Neb.), warned a group of insurance men in Omaha that one probable result of the monopoly committee investigation would be a proposal for the S.E.C. or "perhaps a brand new bureaucratic body" to take charge of elections of directors of insurance companies.

"If these proposals are made effective" he said "it will mean a new impetus is given to the movement toward socialization of business and industry."

### Fighting bureaucracy

THE American Life Convention, in its annual meeting in Chicago last October, reiterated its stand for state supervision. The general attitude of the delegates was that the \$30,000,000,000 of investment capital in the insurance company treasuries, the last pool of free capital in the United States should not be placed under federal control.

In December the Convention issued a brochure expressing its views. It excoriated the monopoly committee investigation so far as it relates to insurance. One quotation was:

The tenor of the investigation is that of a prosecution rather than an impartial inquiry, and anything of a critical character has been headlined and publicized through every facility at the command of the S.E.C.

Robbins forwarded copies of this brochure to the national vice presidents of the Convention—one in each of 40 states—and these men took it upon themselves to forward some of the copies to their own congressmen. The vice president, it was said, sent the congressmen's answers to Robbins. He would not discuss a report that 90 per cent of these answers upheld the Convention's views.

It is understood that Robbins has sent out telegrams and telephone messages warning the vice presidents of the S.E.C. demands and instructing them that the congressional replies should be surrendered only with the writers' consent.

Before this warning arrived, the Commission's agents had gone to the office of George W. Steinman of Columbus, O., his state's vice president, and obtained photostatic copies of the letter he sent out with the brochures. Steinman said there were no replies from congressmen in his files.

Richard Boissard, of Madison, the Wisconsin vice president, had a similar experience. He said also that no replies were included, but that a copy of his letter was taken.

It was explained that no letters were sent to Illinois representatives and senators because Henry Abels of Springfield, vice president for the State, had been ill.

Gerhard Gesell, attorney for the S.E.C., who has been presenting the insurance information to the monopoly committee, was asked in Washington if he had ordered the seizure, by subpoena, of the letters. His reply was that the story was only partly true "and much exaggerated." He refused to talk further.

—From the Chicago Tribune



*Manufacture in the West to Serve the West*



Western branches of 150 nationally known concerns are located in the Metropolitan Oakland Area



Portion of main business district. Beyond, Lake Merritt with its parks and residences

### IT PAYS

to manufacture in the West to serve the West... because of economies in manufacturing and distribution... because of increased goodwill for a western-made product.

With a plant in the Metropolitan Oakland Area you can save 10 days or more over delivery from the East... hence better service to your customers.

This is the logical distribution point from which to serve 13,500,000 Westerners... with purchasing power 30% greater than the United States average.

Transportation center of the West... mainland terminus of three transcontinental railroads... superior ocean, river, truck and air shipping facilities.

Let us prove that this is the logical location for your branch factory or distribution plant. Ask for booklet of industrial facts, figures and photographs. Then, if desired, we will prepare a confidential *Special Survey* covering your particular operation... without cost or obligation.

And we will give you or your representative every assistance in making an *On-the-Ground Study* of western manufacturing conditions and markets and distribution, as well as industrial sites.

Write today for booklet "The *Natural Industrial Center of the West*."

**METROPOLITAN OAKLAND AREA**  
389 Financial Center Building, Oakland, California

**METROPOLITAN  
OAKLAND AREA**  
CALIFORNIA

\*Alameda, Albany, Berkeley, Emeryville, Hayward, Oakland, Piedmont, San Leandro and the Rural Communities of Alameda County

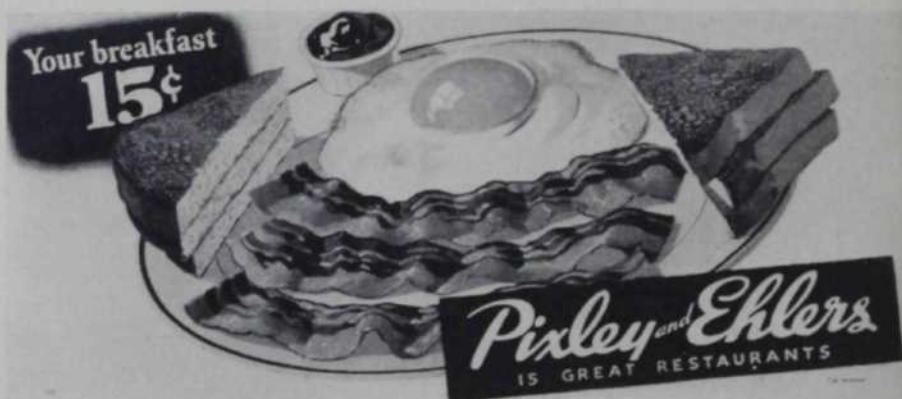
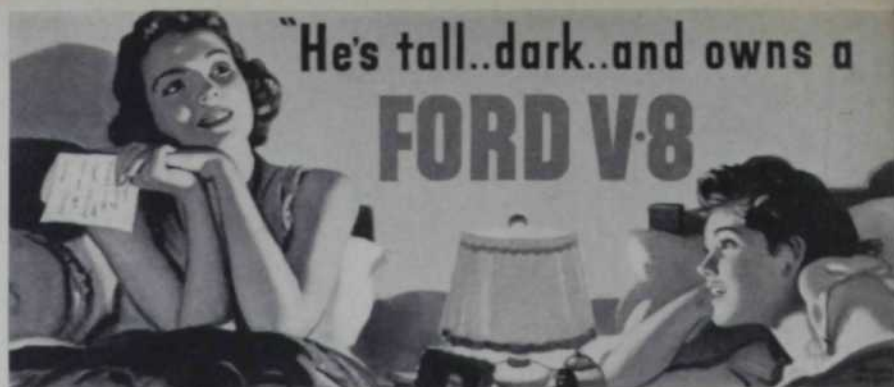


901

**The NATURAL INDUSTRIAL CENTER of the WEST**



## Poster Panels Win Art Awards



IN THE days of P. G. Barnum a favorite pastime of small town boys was following the advance agent of a circus and his crew of bill posters who "plastered" the town with colorful lithographs depicting the expected arrival of gilded band wagons, spangled trapeze performers and man-eating animals. Many a youthful heart thrilled with vicarious adventure as its owner watched the exotic panorama unfold and the circus "appeal" was strongly planted before the bill poster could lay down his paste brush.

The poster man is still present with increased responsibilities, but he and his product have gone through a modernization machine. Even the old-timers seldom think of the circus lithograph as the granddaddy of today's comparatively conservative and modest poster art.

The poster panel has grown up in both its appearance and its appeal. It has broadened out from the specialty field of selling circuses, cigars and chewing tobacco to become an auxiliary marketing aid for nearly all of America's best known products—it has even been used by such organizations as the Chamber of Commerce of the United States and the National Manufacturers Association to win public understanding of business.

To show the trend in outdoor advertising NATION'S BUSINESS is reproducing the prize winning and several honorable mention posters shown at the Exhibit of Outdoor Advertising Art in Chicago. The first award was Ford's: "He's tall . . dark . . and owns a Ford V-8." "Orchids to Plymouth" was second; third went to Pixley and Ehlers: "Your Breakfast—15c"



## The Foreman's Union Card

(Continued from page 16)

Board found the employer guilty of an unfair labor practice because it discharged a man whom the Board itself found to be holding a position of "a minor supervisory character," allegedly because he assisted a labor union.

Legal technicalities and Labor Board philosophy are less important for our present purpose than are the actual or potential effects of unionism among foremen. In looking for these effects, it should be recalled at the start that foremen are classified with management, not with labor. In the eyes of the workmen, the foreman is the boss; indeed, he may represent about all the average employee sees or knows of the company management. From the standpoint of the employer, the foreman occupies the bottom rung in the ladder of executive responsibility.

Usually he is promoted from the bench or the machine but, once raised to supervisory status, he becomes definitely a part of management. His chances of further advancement are limited only by his own abilities and the opportunities afforded by the business. He is expected to understand company policies, to be loyal to them, and to explain them to the workers. He is responsible for the conduct of the men under him, even though this may involve disciplining friends and former shop mates. Often he has authority to hire and discharge.

Suppose now this foreman joins a union. Is he part of management or of labor? If he tries to rationalize a scheme by which he belongs to both groups, in which direction is he to go when their interests clash?

This conflict of loyalties becomes acute in cases of discipline. Let us assume that a foreman belongs to a union which has instructed its members to "slow down" and retard production. As a representative of management, the foreman's duty is to see that output and quality are kept up to standard, but if he discharges or disciplines a man for shirking on the job he is in danger of reprisals from the union.

Is this danger imaginary? Not at all. Here is a recent incident:

An employer had signed a union contract covering all employees in his plant, including supervision. One day a worker violated a rule and was suspended by his foreman. Promptly the foreman was hauled up before the local executive board, which fined him \$75.

This was a case in which the boss and the workers belonged to the same organization. Perhaps it would have been less likely to happen if the foremen had had a union of their own. But, even in those circumstances, the fact that a supervisory employee has cast in his lot with union labor presents a constant threat of embarrassment when interests of employers and employees conflict.

Not only in cases of discipline does the union foreman face the dilemma of

divergent loyalties. Usually the foreman exercises an influential, if not always a controlling, function in setting wage rates and work standards, and in formulating shop rules. Here also he finds it difficult to uphold the employer's interests while owing loyalty to an organization which, on a particular issue, may have, or may think it has, directly opposing interests.

### Foreman is on spot

THE DILEMMA of the organized foreman becomes even more hopeless in the process of collective bargaining. Under the best management methods, grievance machinery begins to operate first in the shop. The complaining employee or his representative is encouraged, sometimes required, to go first to the foreman. Thus, at the very start of a dispute, the foreman functions as the deputy of management. His fairness and skill in negotiation often determine whether a misunderstanding will be adjusted immediately or will grow until it involves the whole plant, the whole company, or the whole industry.

But what if the foreman is himself a member of the organization which directs the fight for the complainant? Again his obligations pull him in opposite directions. The only solution, in the interest of the employer's business and the foreman's peace of mind, would appear to be to separate the foremen from the whole collective bargaining process, and this would be a long backward step in administering labor relations.

But, someone may ask, if these objectionable results follow organization,

how have some industries—printing, for example—got along all these years with the foremen belonging to unions? Well, in the first place, there are not many industries in which, until recent years, unionization included foremen in the sense in which we are using the word. We have already seen that most American Federation of Labor unions do not permit union membership by officials who have the power to discipline, hire, or discharge. Some labor leaders have stated that they believe the admission of such officials would be disastrous to unionism.

In the printing industry the arrangement under which foremen belong to unions is of such long standing that it almost may be said to have grown up with the business. The unions in that industry are old, well established, and relatively conservative. Even so, organization of printing shop foremen may have had something to do with the need for an elaborate system of rules, governing in most minute detail the relationships between workers, foremen, and employers.

We must conclude that the observed results of unionism among foremen are bad and that the possible results of its extension may be worse. Industry cannot operate effectively if there is a breach within management itself. It could get along after a fashion by reducing the foreman to the position of a straw boss or a gang leader, depriving him of disciplinary authority and no longer considering him of management rank, and this is what ultimately it will have to do if the trend toward unionism becomes really extensive. Any such ex-

### Industry must take charge



A. D. Whiteside, President  
Dun & Bradstreet

"If the government continues to run into debt, it will have to confiscate capital. Industry can stand up about 10 years before becoming engulfed by inflation. It is up to industry itself to take charge of the situation, since the Government's program has been accepted by the country and even a change in administration would not halt the forces that have been set in motion."





# Kimpak

REG. U.S. PAT. OFF. & FOREIGN COUNTRIES

## CREPE WADDING

*protects your product  
dresses your package*



Showing how  
Charles A. Stevens & Co.,  
Chicago, uses KIMPAK in a typical  
gift packing to protect beautiful Sevres vases  
against shipping damage.

■ KIMPAK\* is the ideal packing material—inexpensive, light-weight, flexible, it can be applied quickly and easily without fuss, muss or waste. Your product, be it big or small, protected by KIMPAK, travels in a safety-cushion of soft, yet resilient material that helps to guard against finish or structural damage to its original "factory fresh" condition. What's more, KIMPAK takes a vigorous part in stimulating sales by dressing up your package and giving it added beauty and distinction.

KIMPAK is manufactured by the Kimberly-Clark Corporation to the highest standards of quality and uniformity, and may be had in rolls, sheets and pads of wanted thicknesses and sizes. Our engineers will gladly assist in solving your packaging problem.

\*Reg. U.S. Pat. Off. & For'n Countries

### FREE! 1940 PORTFOLIO OF KIMPAK

KIMBERLY-CLARK CORPORATION  
Neenah, Wisconsin

Address nearest sales office: 8 S. Michigan Ave.,  
Chicago, 122 East 42nd St., New York City,  
510 W. Sixth St., Los Angeles. NB-2

Please send us the 1940 Portfolio of KIMPAK.

Company \_\_\_\_\_

Address \_\_\_\_\_

Attention of \_\_\_\_\_ Our Product is \_\_\_\_\_



pedient would be costly and inefficient for management and would be disastrous for the foremen themselves.

As foremen in most industries always used to consider themselves a part of management, why have so many of them in recent years turned to unionism, thus seemingly accepting loss of prestige and reducing themselves to the ranks of laborers? To some extent the movement is a part of an epidemic of unionism which has affected numerous "white collar" groups—teachers, actors, musicians, office workers, government employees, newspaper writers and others—who formerly thought of themselves as occupying somewhat different levels from those of manual workers.

Some of the white collar unions, like those of teachers and actors, have had fairly long experience. The majority, however, gained little prominence until the Government began promoting labor organization, first through the National Industrial Recovery Act and later through the National Labor Relations Act. It was not unnatural that foremen in industry, along with supervisory employees in other lines of business—chain store managers, for example—were affected by this tendency.

A more fundamental cause, however, may be found in the genuine doubt which many foremen have had about their own positions in industry. Employers always have talked about the foremen as a part of management, but not all employers have acted as if they believed what they said. Some foremen have been paid hourly rates instead of the weekly or monthly salaries other officials received, and sometimes these rates have been little, if any, higher than those of skilled craftsmen. In some shops supervisory employees have been rotated from job to job, serving as foremen one day and as workmen the next, without ever being sure just what their positions were. Nor have employers always been careful to protect official rank after it has been attained. In the earlier years of the 1929 depression, many foremen were sent back to the benches or the machines, losing their management prestige and along with it often losing morale and loyalty. In far too many instances, employers have treated the foremen, not as members of the managerial family, but as poor relations.

Many foremen have suffered from their superiors' deliberate or thoughtless failure to take them into confidence. Often employers have expected the foremen to understand and defend management policies and interpret them to the workers but have neglected to explain those policies to the foremen themselves. Too often the foreman is one of the last to learn of some organization change that vitally affects his own department. In labor relations, a foreman occasionally receives from laborers or union leaders his first news of a policy change.

For this neglect to take the foremen into the confidence of management, industry has paid a high cost in misunderstandings, inefficiency, and lowered morale. Incidentally, it doubtless is one of the things that have turned some foremen toward unionism.

To some extent, another cause of fore-

men's unions is to be found in unskilled selection of supervisory employees and their faulty training for their jobs. Some employers have been slow to realize the vital importance of choosing the best available material for supervisory positions and then really working—not playing—at foremen training. The result has been that in many establishments some men have got into supervisory positions who never should have been there at all, while others, although potentially good material, have had insufficient training for their duties and responsibilities. Foremen of this kind are unlikely ever to rise to a genuine management level.

Foremen have not been blind to the gains which wage earners have won apparently through organization. The employer who is shocked at the news that his foremen have joined a union should ask himself how their progress in earnings and working conditions has kept pace with that of the men in the shop. Perhaps he will discover that he has been conducting his personnel policies according with the theory that "the squeaking wheel gets the grease," and has made most of his concessions to those employees who have been able to demand them through militant organizations. Does this employer need to look any further for a cause of his foremen's drift toward organized labor?

### Something can be done

IF IT is agreed that extensive unionization of foremen would have unfortunate results for industry and for the foremen themselves, the question next arises: what is to be done about it?

The causes of unionism already discussed suggest at least part of the answer. To the extent that employers have been careless or unscientific in selecting and training foremen, the obvious corrective is a change of policies and practices. Never before in American industry have the responsibilities of the foreman and his potentialities for helping or damaging his employer's business been as great as they are today. Particularly in the field of labor relations, a foreman who is weak or undiplomatic or disloyal can upset the most elaborate system devised by top management or by the personnel department. A single blunder—the wrong thing done or said just once—may bring the company into collision with the unions or with the Government.

Fear of the organization of foremen, therefore, is only one of the motives which should impel the employer to use the utmost care and scientific skill in picking men for promotion and in training them for their jobs. There is no excuse for negligence in this respect; approved methods, as reliable as possible when dealing with so unpredictable material as human nature, are available to any employer who really wants to find them.

The employer's responsibility does not end when the foreman has been selected and trained for his job. We have seen that many foremen have suffered from uncertainty and ambiguity of their official positions. Forward looking employers now are convinced of the impor-



tance of deliberately building up the dignity and prestige of supervisory officials. More and more it is coming to be approved practice to pay foremen salaries, not wages, and to see that those salaries are adequate.

One large corporation a couple of years ago set about to upgrade the quality of its foremanship. It decided the first thing to do was to add to the visible importance of their positions and increase their prestige among the working force. The first item on the program was a general increase in foremen's salaries.

### Treat him like a boss

IF THE foreman is to act like a member of management, he must be treated like one. He should be consulted first, not last, about policies that affect operations in his shop. It may require a little time and patience to make him understand and accept a change in the methods to which he has been accustomed, but the time will have been well spent. In his dealings with labor, the foreman should be given all the liberty that is possible within the framework of the company's industrial relations policies.

These policies should be explained to him fully and promptly, and then it should be left to him to carry them out in his own department. His decisions should not be reversed unless he has made a real blunder or is in danger of doing an injustice to an employee. He should be held responsible for the conduct of the workers and should be given authority corresponding to his responsibility. This does not necessarily mean that the foreman should have final power to hire or discharge—many personnel authorities believe that usually he should not have this power—but hiring and discharging workers is a considerably less important part of management than it used to be.

It should be left mainly to the foreman to explain and "sell" new policies to the workers. Occasionally it seems as if time might be saved and results obtained more easily by by-passing the foreman, but time saved in this way often is the most expensive time for which the company has to pay.

These suggestions refer to the internal operation of the business. It is not so easy to suggest an external policy with respect to unionization of foremen. If supervisory employees make up their minds that they want to join up with organized labor, can management do anything about it? By all the rules of fairness and common sense, the employer should be entitled to the undivided loyalty of every member of the executive organization. If this loyalty is menaced by unionism, it seems clear that he should have the right to insist that a man give up either his outside allegiance or his supervisory rank.

He should have this right, but has he? Under a strict interpretation of the National Labor Relations Act it seems questionable, and that is just one more evidence that the act should be revised, in the direction of fairness and workability, at the earliest date upon which Congress can get at the job.

## WHAT is bringing New Industries to Pennsylvania?



*Answer:* The greatest combination of natural resources any state can offer . . .

*Plus-* a State Government friendly, cooperative and helpful to business.

Within this 500-mile circle . . .



62% of the population of the United States  
68% of all manufacturing industries  
81% of the industrial payroll

In Pennsylvania prosperity has the green light. Production is up, employment rising, existing industries expanding, new ones establishing roots in firm Pennsylvania soil.

Pennsylvania has everything an industry could ask . . . plentiful fuel, low-cost power, good climate, proximity to raw and semi-finished materials, skilled and intelligent labor—

Not only all these—but *one new asset*: A State Administration that is friendly and helpful to all industry within her borders and extends a welcome to any company seeking a profitable location.

Consider Pennsylvania in your future plans. If you would profit from closer access to raw materials and markets, you will be interested in the details of what Pennsylvania is doing to speed prosperity.

**EXECUTIVES**—Write the Department of Commerce, Harrisburg, Pa., for your copy of "Pennsylvania—Its Many Industrial Advantages."

# PENNSYLVANIA

## MEANS BUSINESS

ARTHUR H. JAMES  
Governor



RICHARD P. BROWN  
Secretary of Commerce



## Leaders in the March of Business



James B. Black



H. W. Prentis, Jr.



Randolph Eide

**H. W. PRENTIS, JR.**, new president of the National Association of Manufacturers, has been president of Armstrong Cork Company since 1934. Joined the company and organized advertising department in 1907. Won a reputation for skillful management; for his emphasis on good labor relations and for his company's annual reports that are models for describing a large company's operations.

Randolph Eide, head of the Ohio Bell Telephone Co., announced that his company would spend \$17,400,000 for expansion and improvements in 1940. Included in the outlay is a new \$5,500,000 exchange for Cleveland. Company expects a net gain of 60,000 telephones in 1940 compared to 53,000 in 1939—now have 766,000 phones in Ohio.

James B. Black, president of the Pacific Gas & Electric Co., whose company will spend \$25,000,000 in 1940 as the last part of a \$76,000,000 construction program that started in 1938. Three new steam generating plants on the shore of San Francisco Bay and a prospective hydro plant constitute the principal new units.

Clarence G. Stoll was born in a home that was part of a railroad station. He joined Western Electric as a student apprentice at a salary of \$10.15 a week in 1903; was named vice president in charge of operations for the company in 1928 and last month was elected to the presidency. Close contact with employees is part of his formula for notable success in training employees. He is shown here pitching first ball at opening of season in Hawthorne Works.

Richard H. Rich, vice president of Rich's Inc., Atlanta, Ga., who announced that his firm had completed plans for a \$1,000,000 building program that would give their establishment the largest square footage of any retail store in the South. Plans include a five-story building, warehouse and installation of escalators.



Clarence G. Stoll



Richard H. Rich



# MAN TO MAN in the MONEY MARKETS

By CLIFFORD B. REEVES

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## Prospectuses in Four Colors

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AN investor who recently received in the mail one of Secretary Morgenthau's prospectuses on United States Savings Bonds was so struck by the garishness of it, as compared with the usual security prospectus, that he took it to his broker to find out whether it was some high-pressure selling racket.

The prospectus was printed in four colors, and was replete with the American Eagle, a picture of the Capitol and other patriotic come-ons, thus giving it a big advertising advantage over the drab security prospectuses that corporations must issue under the Securities Act.

The broker advised the investor that, flamboyant as it seemed, the prospectus constituted a genuine offer of Government bonds by the Treasury Department. He pointed out, however, that misstatements and omissions of "material facts" were so glaring that any corporation guilty of them would be held in violation of the law.

The prospectus refers to the bonds as "increasing in value every year" and also includes the promise that you can "add one-third to your investment in ten years." These statements, said the broker, are definitely misleading because the "increase" referred to is actually nothing but the addition, year by year, of the interest payments on the bonds, which are not paid out, but retained until the bond is redeemed. So the alleged appreciation in value is only a credit for unpaid interest. If this is sound, then an investor who buys a bond at 100 and sells it at 100 ten years later, after receiving three per cent interest income annually, has enjoyed an "increase in value" of more than 30 per cent. Actually he has enjoyed no increase in value at all.

The broker also pointed out that the prospectus omitted completely the financial statements which the law requires every corporation to present when offering its securities to the

public. He admitted that such statements would not help much in selling the bonds, because they would show that the "corporation" in this case had operated at a continuous loss for the past ten years and now had an accumulated deficit of \$27,000,000 for that period. This is a world's record for deficits and is not conducive to investor confidence. The financial statements, if included, would also show that the "corporation," despite such long-continued deficits, is still paying out \$3 for every \$2 it is taking in, which is hardly a healthy operating ratio.

Apparently, Mr. Morgenthau, whose signature appears on the prospectus, does not think that these are material facts worthy of mention!

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## The S.E.C.'s Dic- tatorial Methods

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UNDER the power granted to it by the Public Utility Holding Company Act, the S.E.C. has apparently assumed the right to tell a corporation how to set up its capital structure and to dictate the proportions that shall be maintained between funded debt and share capital.

In a decision that amazed bankers and utility men, the Commission recently ruled that the Consumers Power Company could issue only \$18,000,000 of bonds, instead of the \$28,000,000 the Company sought to register, on the theory that it would be better for the Company to raise the additional \$10,000,000 through the sale of common stock.

The Company maintained that the opportunity to obtain new money through a long-term bond issue at a rate of three per cent was one that should be embraced as it resulted in advantages both to consumers and stockholders. And the fact that the bonds could be sold at such a low interest cost seemed conclusive proof that they must have great investment merit and a satisfactory junior equity in the company's existing share capital.

This is a matter of business judgment that should properly be decided by the management of a corporation; and the general feeling in the financial community is that, waiving the question of the legality of such interference, the S.E.C. is getting on dangerous ground when it presumes to override the judgment of corporation officials on such debatable matters. The recent decision, the first of its kind, establishes a whole new field for Government interference in the affairs of private corporations.

Earlier this year the Commission allowed the issuance of bonds by other utility companies whose ratio of debt to capital was even larger than that of Consumers Power Company. So the sudden concern about the ratio in the latter case was strangely inconsistent, and led inescapably to the conclusion that the S.E.C. was allowing its judgment to be warped by its animosity toward Wendell Willkie, and the firm of Morgan Stanley & Company, who were the underwriters of the issue.

As a result of this decision, the Consumers Power Company has stated that it will have to abandon certain plans for plant expansion and reemployment. The expansion plans of many other utility companies may also be adversely affected by the precedent set in this case. Thus does the S.E.C. block the flow of new capital and strike a blow against economic recovery.

Indignation at the decision was so great that a strong movement has been launched to demand a congressional investigation of S.E.C. activities along the lines of the recent investigation of the National Labor Relations Board.

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## Where Were the N. Y. Senators?

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WHILE the question of the desirability of "local financing for local industry" was under discussion in Washington, Senator Bulkley of Ohio was extremely active in his support of the interests of Ohio investment houses. Congressmen from Michigan also rallied to the cause of their local banking interests.

But the Congressmen from New York were strangely silent. In fact, they seemed to be "out to lunch" during the entire controversy. They felt, apparently, that to plead the cause of the New York bankers would be political suicide.

If New York interests should try to break up the concentration of the rubber business in Akron, Congressmen from Ohio would undoubtedly rise in wrath. If efforts were made to break Detroit's grip on the motor business, Michigan Congressmen could be ex-





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pected to scream to high heaven. But when New York was threatened with a loss of much of its underwriting business, none of the city's "chosen representatives in Congress" rose to its defense.

This strange apathy also extended to local business and civic interests in New York. With the exception of the Merchants Association of New York, which appreciated the importance of the matter from the standpoint of the city's general economic welfare, no other business or political group rallied to the cause.

Mayor LaGuardia recently spent some \$45,000,000 on a new Municipal Airport to make New York City an airline terminus. The continuing revenue and employment produced for New York by that effort are small as compared with the jobs and income provided by security underwriting. Yet the Mayor said nothing while efforts were being made to force the underwriting business out of New York.

If security underwriting disappears from New York, so will the resale markets. And so will much of the city's general banking activity. Fi-

nancial business provides employment for hundreds of thousands of New York people, and supports billions in real estate values in Lower Manhattan.

Transfer taxes on security transactions are one of the largest sources of revenue for New York State. All of which should make it evident that the economic welfare of New York City and State is closely related to the financial business.

### The Laugh of the Month

AFTER the Consumers Power bond issue had been syndicated, Michigan security dealers complained that their allotments were not large enough. Michigan investors, they said, were being deprived of their right to buy the securities of a local Michigan Company.

Wendell Willkie, whose Commonwealth & Southern Corporation owns Consumers Power, heeded the plea of the Michigan dealers and arranged to have their allotments increased by \$1,000,000. But did the Michigan dealers reserve these bonds for local

## The right to make your own choice



Robert M. Hanes, President Wachovia Bank & Trust Co., Winston-Salem, N. C.

President, American Bankers Association

Henry W. Koeneke, (left) Second Vice President, American Bankers Association

"The right to make one's own choices, to stand or fall on the consequences of one's own judgements and acts, is of the essence of free enterprise. You cannot have free enterprise without freedom of choice."



investment demand? They did not! They promptly called the big insurance companies in Hartford, Conn. All of which merely proves that, no matter how an issue is syndicated, the bonds are sold where there is a demand for them, regardless of what houses make the offering.

### That Deficit's Here Again!

THE President's budget estimate for 1941, forecasting another enormous deficit

for the next fiscal year, serves as a sharp reminder that the federal Government has run continuously in the red for the past ten years, and is now entering upon its second decade of deficits.

The accumulated deficit from 1931 through the fiscal year 1940 has now reached \$27,000,000,000, and the end is not yet in sight.

The deficit in the past ten years has been greater than the total cost of operating the federal Government from the time of George Washington through the Administration of President Taft—122 years.

No country in the history of the world has ever run up any such deficit without suffering final bankruptcy and inflation.

Seven years after the low of the depression, the present fiscal year will show the largest deficit for any year except two in the past ten, although tax rates are currently the highest in the country's history. With taxes at an all-time peak, the Government's expenditures are still half again as great as its income. Thus a 50 per cent increase in tax revenues would be needed to balance the present rate of Government spending.

The most alarming thing about the current deficits is that millions of people now have a vested interest in their continuance. Most large deficits in past eras have been due to wars, which means that the deficit automatically disappears as soon as the war is over.

Other deficits have been caused by a failure of expected tax revenues to materialize—a condition that could be corrected.

But the present deficits are due to the distribution of Government largesse to millions of individuals in the form of relief, bounties, pensions and other benefits, and to the building up of an unprecedented and costly bureaucracy. These millions of beneficiaries constitute a political faction that can never be expected to vote away their own participation in Government benefits. Nor can a bureaucracy ever be expected to dismember itself.

# MONUMENT

## *to an Engineer's Hobby*

*by Westinghouse*



then known as a "cat's whisker", so he could pick up the time signals sent out at regular intervals by the Naval Radio Station at Arlington.

- *Out of this hobby* came a prodigious urge to make radio something more than a signalling device for the benefit of ships at sea. With the help of others, this young engineer eventually established station KDKA and immediately a new voice was heard in the land.

- *For the first time* a church service was broadcast over the air; the first broadcast of a presidential inauguration was heard; radio announcements of baseball scores, time signals and market reports became a daily feature of this new public service.

- *When we remember* the flaming speed of radio broadcast development since 1920, it is amazing to find the pages of history attributing so much pioneering to a single station. And so the installation of this new equipment is consistent with Westinghouse's desire from the very beginning to extend radio's usefulness and improve the quality of both programs and reception.

- *All this means* a great deal to you who are within the sound of KDKA'S new voice. That takes in about everybody, for in addition to the standard KDKA broadcasts, short wave programs from the same studios over station WPIT (formerly W8XK) are heard around the world.

- *In addition* to KDKA, the familiar call letters of Westinghouse stations WBZ, KYW, WOWO and WGL are further indication of our close association and interest in this important and exciting industry.

- *Just a few weeks back* a small crowd gathered on a hilltop in the Alleghenies to pay their respects to the station that had pioneered all radio broadcasting. The station they were honoring was KDKA; the occasion, the dedication of a new 50,000 watt transmitter located at Allison Park, near Pittsburgh.

- *Present at this ceremony* were many people who nineteen years before had heard and participated in the first official broadcast ever made—the announcement of the Harding-Cox election returns on November 2, 1920. Since that historic day radio broadcasting has developed so rapidly, extended its sphere of influence so far, that not many are aware of its humble beginning.

- *It all started* in the garage of a young Westinghouse engineer. He was such a stickler for accuracy that he couldn't even tolerate a few seconds variation in his vestpocket watch. To satisfy this whim, he rigged himself up a crude radio receiving set of the type that was



# MEMO...

## for Busy Readers

- 1 • Taxes hit petroleum users 2 • Wealth added by one company  
3 • Mobilization for jobs 4 • Safety in the air 5 • Selling old model  
tires 6 • Police get citizens' help 7 • Conflicting residence laws

### Public Gets A Bonus From Oil

HOW business has managed to cut the prices of its products in the face of ever mounting taxes is revealed in current showing of oil companies. As reported by the American Petroleum Industries Committee, motorists now receive an annual bonus of \$1,500,000,000 in decreased gasoline prices.

Improved production methods, plus development of refining methods, are notable among factors which have enabled the industry in recent years to pass sizable savings to the public. Retail price of one gallon of gasoline, exclusive of taxes, is 7½ cents below what it was in 1923, "normal" retail price year used by the federal Government. With motorists using 20,000,000,000 gallons of gasoline each year, this saving totals approximately \$1,500,000,000.

Petroleum scientists and technologists have developed processes whereby they can get from crude oil two gallons of gasoline where they were once able to get only one.

New exploration and production methods enable the industry to offset increasing costs of bringing oil out of the ground. First oil well in the United States was only 69 feet deep. Now most wells go down nearly a mile. More than 200 wells exceed two miles. Deeper and deeper goes the search for oil.

Private enterprise, as represented by the petroleum industry, is providing great benefits to the American people, the Committee points out. If the industry had not been progressive and had not worked for lower costs, most of the 11,000,000 car-owning families having incomes of less than \$30 a week—half of all the car-owning families of America—would have found it difficult if not impossible to operate cars.

Further, the Committee says, if only half the present number of cars were on the road, federal and state governments would be getting only half of their present automotive tax revenue, now aggregating \$1,600,000,000 annually. Gasoline taxes alone total \$1,000,000,000.

While the petroleum industry was reducing gasoline costs to the public, the state and federal governments were increasing taxes. In the past decade the annual automotive tax burden on motorists has doubled, now takes approximately two weeks wages from more than half the nation's motorists.

The petroleum industry has stretched

the public's gasoline dollar; the tax collector has shrunk it. The average motorist now, because of taxes, receives only 71 cents worth of gasoline for \$1. The other 29 cents is taken by the tax collector.

### Business As a Wealth Maker

PRODUCTS manufactured in the ten-year period, 1929-1938, by the Westinghouse Electric & Manufacturing Company increased the world's wealth by a total of \$759,069,000.

Figure, company explains, represents the wealth that Westinghouse workers, with the tools provided for them by the stockholders, have added to the worth of the world during the period. It expresses in dollars the worth of the work of the hands and the brains of more than 100,000 individuals.

Raw materials—steel, copper, mica, cotton, lumber, and thousands of other items that came into the shops—were worth \$750,000,000 more when they went out as motors, generators, turbines, switchgear, insulators, stokers, appliances, meters, lamps, and other finished products.

Company's statement adds that money paid out in taxes and interest and replacement provisions could also be considered as created wealth, but that money received as discounts and dividends on stock owned by the company could not be so considered and was not included in the total. In addition, some materials and supplies such as water, coal, and gas did not leave the factories as finished products but, together with such services as freight and postage, were used in the processes of manufacture.

### Job Drive On In Pennsylvania

PENNSYLVANIANS have joined hands to solve the unemployment problem through a Job Mobilization Campaign designed to reach into every community. The give-a-job-drive, which got underway officially on November 15, was conceived by legislators, is sponsored by the state's administration, by representatives of business, of labor and of civic and service organizations.

Leadership is headed by Walter D. Fuller, president of the Curtis Publishing Company, who views the campaign as "a job long overdue which must be done." William A. Hemphill, of the en-

gineering firm of Day and Zimmerman, Inc., of Philadelphia, is executive director. He sees opportunity to slash relief rolls sharply, "a chance to reduce taxes instead of increasing them."

Broad objectives of campaign are:

Stimulate reemployment and create new jobs for idle men and women.

Organize complete state-wide local consideration of the relief problem by local citizens, cultivate local responsibility and local knowledge of the situation, encourage self-reliance and self-help and search seriously and analytically for a practical and humane solution of unemployment.

County and local committees have been organized to work among business men and other potential employers.

No way of putting people to work will be overlooked. Everyone will be canvassed, from the great industrialist down to the householder who might want to paint his house or re-paper a few rooms. Basic operating principle is "give-a-job."

The 1939 peak of persons receiving assistance or dependent upon W.P.A. was reached in February when total was 1,638,000. Total dropped steadily. In week ending November 4, it dipped to 1,108,000, a decline of 530,000. Index of industrial activity of Pennsylvania has been going up consistently month by month. According to figures compiled by Pennsylvania State College, index was 74.7 in February compared to 81.2 in September. Pittsburgh index moved from 84.7 in February to 125.9 in week ending November 4.

With upswing definitely active, the diversified interests back of job mobilization take the position that the campaign can and will give it fresh momentum.

### Air Accidents Cut to Zero

SAFETY record recently made by commercial aviation companies is eloquent answer to question whether expansion of operations, higher frequency of flights, and faster schedules has raised accident hazard.

In a seven months' period dating from last fatal mishap, the 17 United States lines offering regular schedules carried 1,250,000 passengers an aggregate of 500,000,000 passenger miles, flew their planes 52,000,000 miles. Passenger traffic compares with job of transporting entire population of the city of Washington to Boston and back again. Mileage figure is equivalent to 2,000 trips around world's equatorial belt.

Domestic lines now use 283 transport planes, observe 221 schedules daily, fly 250,000 miles every 24 hours.

### Old Cars Make a Tire Market

ACCENT on new automobile models blurs recognition of fact that cars of 1925 vintage are still going strong, still define an inviting market for tires and parts. Fords produced 14 or more years ago, alone, constitute an annual outlet for 125,000 of the old 30x3 tires, Fisk Rubber Corporation reports. At the present rate of car mortality, as evidenced by these tire sales, Fisk engineers believe end of these famous models will



not be reached for another four or five years.

Last year, 375,000 of the 4.40x21 size, second oldest tire still in use, were manufactured by the industry for 1927 Fords, Stars, and Overlands. Sales reports show that inquiries concerning these types come from the farming sections where the majority of them were sold.

Comparison of old-style tires as they come from the factory today with the product of 14 years ago emphasizes the great advance of technology. The tires originally cost \$20. They sell now for about \$5. From 2,000 to 3,000 miles was the maximum in 1925. Mileage for the same size tire today averages better than 20,000 miles.

#### Safety Texts in Match Books

ACCIDENT and traffic violation reports to Wausau, Wis., police have increased more than 100 per cent through use of match books and citizen cooperation. Match books, supplied by police and given by business establishments, display police department's telephone number and such slogans as "Help Keep Wausau Safe—Report All Accidents Immediately," "Cooperate With The School Boy Patrol—It Protects Your Boy And Girl."

Because of the constant reminder, Wausau citizens helped increase number of accident reports from 178 in 1937 to 337 for first ten months of 1939. After plan went into effect in April, 1938, figure for that year jumped to 283.

Increase in accident reports does not signify increase in accidents, means a more thorough coverage resulted than could be obtained without citizen cooperation. Wausau police have no radio patrol cars and are not able to obtain unaided reports desired. Information received is used in city's traffic safety campaign. In addition to reports on accidents, police obtained information from citizens on drunken and reckless drivers, traffic violations, and suspicious looking persons and automobiles.

#### States Change Settlement Laws

FIVE states last year raised residence requirements to re-qualify eligibility for general relief hinging upon settlement laws.

Settlement laws date back to early days, provide for the removal of "poor persons" to the state or locality in which they "belong." In recent years, when many people were moving from one state to another in search of work, differences in settlement laws sometimes left transients adrift because it was possible to lose settlement in one state before gaining it in another.

A survey of current laws completed by Harry M. Hirsch, of the New York State Department of Social Welfare, reveals that the 1939 legislatures of Colorado, Illinois, Indiana, Kansas, and Minnesota tightened state requirements for settlement. Colorado, Illinois and Indiana now make three years' residence necessary before relief will be given. Minnesota increased the time from one

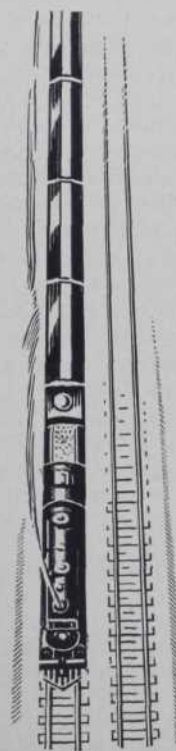


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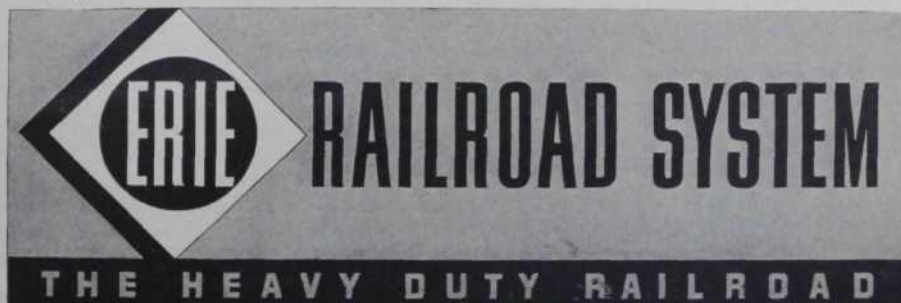


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year to two. Kansas raised the requirement from one to five years.

Current trend reverses course a few years ago when several states liberalized their laws. Twenty-two states and the District of Columbia require one year's residence for settlement law. Four other states enforce one-year requirement before giving relief. Settlement laws of the other states include requirements ranging from six months to five years, six states requiring the latter period.

In most states, time required for losing settlement is the same as for gaining settlement. New Jersey, however, which has a five-year rule for gaining settlement, declares it lost after absence of only one year. California has a three-year rule for gaining residence. One year's absence loses it.

### Coop Buying by Cities, States

#### COOPERATIVE

purchasing systems by which cities seek lower prices for supplies have been set up by legislatures or municipal leagues of at least 17 states. At year's beginning Alabama was latest state in which cities may use state's purchasing machinery. With some restrictions, cities may make purchases under state contract stipulations.

Other cooperative municipal-state purchasing plans were authorized in 1919 by Michigan and New Hampshire; by Virginia in 1924; by Wisconsin in 1929; by West Virginia in 1935; and by Pennsylvania in 1937. New Hampshire is the only state which assumes responsibility for purchases of local governmental units.

Virginia's state-local cooperative plan has had the greatest use, according to reports to the Municipal Finance Officers' Association. State purchasing department makes contracts with the seller, but does not assume financial responsibility. Manufacturer must collect from the city.

Under the Wisconsin system, state purchasing agent when drawing contracts for state purchases includes provisions that the municipalities and counties may buy at the same price. Counties are reported to make more use of the plan than cities. Savings amount to about ten per cent on tires and tubes, 50 cents a gallon on paint, ten cents each on highway patrol flags.

Michigan offers representative example of cooperative purchasing by cities through state league. Michigan Municipal League began practice in 1930 when it bought fire hose for six cities. League made purchases totaling \$26,000 in 1937, buying fire hose, street name signs, paint, street and road grader blades, brooms and incandescent lamps.

Nebraska's municipal league also began cooperative purchasing in 1930. Wisconsin's league was second, starting in 1933. Leagues of three states—Virginia, Oregon and South Dakota—began the practice in 1936. Kentucky, Colorado and North Carolina leagues started in 1937; Missouri and Arkansas in 1938.

In states having both cooperative and centralized purchasing plans—like Michigan, Wisconsin and Virginia—preference lies with the city. A municipality may use both plans.

# New Issues

Amount of Issue		Underwriting Interest
\$14,750,000	CENTRAL ILLINOIS ELECTRIC AND GAS CO. . . . . First Mortgage 3¾ % Bonds, Due June 1, 1964	\$1,500,000
3,000,000	CENTRAL ILLINOIS ELECTRIC AND GAS CO. . . . . 3 %, 3½ % & 4 % Serial Deb., Due Dec. 1, 1939 to June 1, 1949	310,000
4,100,000	CENTRAL OHIO LIGHT & POWER COMPANY . . . . . First Mortgage 4 % Bonds, Series C, Due August 1, 1964	1,050,000
25,000,000	CENTRAL POWER AND LIGHT COMPANY. . . . . First Mortgage Bonds, Series A, 3¾ %, Due August 1, 1969	1,500,000
7,000,000	CENTRAL POWER AND LIGHT COMPANY. . . . . Serial Debentures 1½ % to 3 %, Due August 15, 1940-46	420,000
†24,000,000	COMMONWEALTH EDISON COMPANY. . . . . Convertible Debentures, 3½ % Series, Due July 1, 1958	2,640,000
6,600,000	COMMUNITY PUBLIC SERVICE COMPANY . . . . . First Mortgage Bonds, 4 % Series, Due March 1, 1964	1,200,000
52,500,000	GATINEAU POWER COMPANY . . . . . First Mortgage Bonds, 3¾ %, Series A, Due April 1, 1969	2,310,000
27,300,000	GULF STATES UTILITIES COMPANY . . . . . First Mortgage and Ref. Bonds, Series D, 3½ %, Due May 1, 1969	1,000,000
†14,250,000	IOWA PUBLIC SERVICE COMPANY . . . . . First Mortgage Bonds, 3¾ % Series, Due August 1, 1969	1,400,000
26,500,000	KANSAS POWER AND LIGHT COMPANY, THE . . . . . First Mortgage Bonds, 3½ % Series, Due July 1, 1969	2,400,000
13,000,000	NEW YORK STATE ELECTRIC & GAS CORP. . . . . First Mortgage Bonds, 3¾ %, Due May 1, 1964	1,300,000
†45,000,000	NORTHERN INDIANA PUBLIC SERVICE COMPANY . . . . . First Mortgage Bonds, Series A, 3¾ %, Due August 1, 1969	5,850,000
17,000,000	OKLAHOMA NATURAL GAS COMPANY. . . . . First Mortgage Bonds, Series B, 3¾ %, Due August 1, 1955	1,275,000
95,000,000	PENNSYLVANIA POWER & LIGHT COMPANY . . . . . First Mortgage Bonds, 3½ % Series, Due August 1, 1969	4,615,000
28,500,000	PENNSYLVANIA POWER & LIGHT COMPANY . . . . . 4½ % Debentures, Due August 1, 1974	1,385,000
†40,000,000	PUBLIC SERVICE COMPANY OF COLORADO. . . . . First Mortgage Bonds, 3½ % Series, Due December 1, 1964	9,500,000
†12,500,000	PUBLIC SERVICE COMPANY OF COLORADO. . . . . 4 % Sinking Fund Debentures, Due December 1, 1949	5,250,000
†38,000,000	PUBLIC SERVICE COMPANY OF INDIANA . . . . . First Mortgage Bonds, Series A, 4 %, Due September 1, 1969	4,750,000
†10,000,000	PUBLIC SERVICE COMPANY OF INDIANA . . . . . Serial Debentures, 3⅞ %, Due serially Sept. 1, 1940 to Sept. 1, 1949	1,250,000
6,750,000	SOUTHWESTERN LIGHT & POWER COMPANY . . . . . First Mortgage Bonds, Series A, 3¾ %, Due December 1, 1969	1,360,000
† 7,000,000	TERMINAL RAILROAD ASSOCIATION OF ST. LOUIS . . . . . Ref. and Imp. Mortgage 3⅞ % Bonds, Series B, Due July 1, 1974	2,000,000
40,000,000	TEXAS CORPORATION, THE . . . . . 3 % Debentures, Due April 1, 1959	1,000,000
† 2,000,000	UNION JOINT STOCK LAND BANK OF DETROIT, MICHIGAN . . . . . 2½ % Farm Loan Bonds, Due December 1, 1944; Opt. 1941	1,000,000
22,000,000	WASHINGTON WATER POWER COMPANY, THE . . . . . First Mortgage Bonds, 3½ % Series, Due June 1, 1964	900,000
18,000,000	WEST TEXAS UTILITIES COMPANY . . . . . First Mortgage Bonds, Series A, 3¾ %, Due May 1, 1969	1,500,000

## YEAR-END BOND REVIEW

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1939

IN WHICH  
HALSEY, STUART & CO. INC.  
PARTICIPATED AS AN ORIGINAL  
UNDERWRITER

A LIST of 104 bond, note, and debenture issues with which Halsey, Stuart & Co. Inc. was identified during 1939 as one of the original underwriters is presented here. Underwriting interest in the 26 corporation issues with which this organization was so identified ranged from 2.5% to 50%. Of the 78 municipal issues originating in 23 states, 42 issues were underwritten alone by Halsey, Stuart & Co. Inc.; 30 issues were underwritten by groups headed by Halsey, Stuart & Co. Inc. In aggregate principal amount (more than 800 million dollars) the 104 issues represent over one-third of all corporate and long-term municipal bond financing publicly offered in the United States during the year.

†\$2,246,000	ALBANY, N. Y., CITY OF 1.70% Bonds, Due 1940-79	*\$1,093,000	JERSEY CITY, N. J., CITY OF 3 3/4% Bonds, Due 1940-64	†\$ 490,000	NIAGARA FALLS, N. Y., CITY OF 1.20% Bonds, Due 1940-49
† 6,000,000	ALLEGHENY COUNTY, PA., 2 1/4% Bonds, Due 1940-69	* 108,000	KENOSHA, WIS., CITY OF 2 1/2% Bonds, Due 1952	* 35,000	NORWOOD, PA., BOROUGH OF 2 1/2% Bonds, Due 1942-52
* 140,000	ALTOONA, PA., S. D., CITY OF 2 1/2% Bonds, Due 1941-50	† 3,000,000	LOUISIANA, STATE OF 1 3/4% & 2% Bonds, Series CC, Due 1942-44	† 1,125,000	OKLAHOMA, STATE OF 1 1/4% Treasury Notes, Due May 1, 1939
* 85,000	AMES, IOWA, CITY OF 2% Bonds, Due 1939-54	* 114,000	LYNBROOK, N. Y., VILLAGE OF 3% Bonds, Due 1940-51	* 212,000	OKLAHOMA, STATE OF 2% & 2 1/4% Bonds, Due 1940-54
†13,000,000	BOSTON, MASS., CITY OF 0.40%, 0.48% & 0.64% Temp. Loan Notes, Due Nov. 3 and 6, 1939 and June 21, 1940 (Three Issues)	* 117,000	MADISON, WIS., CITY OF 2% Bonds, Due 1945-54	* 235,000	ORANGE, N. J., CITY OF 3% Bonds, Due 1940-64
* 5,000,000	BOSTON, MASS., CITY OF 0.55% Temp. Loan Notes, Due Dec. 20, 1939	* 100,000	MIFFLIN TOWNSHIP, PA., S. D. 2% Bonds, Due 1940-49	† 6,150,000	PITTSBURGH, PA., CITY OF 1.80% Bonds, Due 1940-59
† 161,000	BRUNSWICK, MD., TOWN OF 3.20% Bonds, Due 1941-79	* 150,000	MINEOLA, N. Y., VILLAGE OF 2.30% Bonds, Due 1940-49	* 267,000	POLK COUNTY, IOWA 1 1/2% Bonds, Due 1946-48
* 273,000	BUTLER, PA., CITY OF 2% Bonds, Due 1940-53	† 3,235,000	MINNEAPOLIS, MINN., CITY OF 1.70% Bonds, Due 1940-49	* 276,000	POLK COUNTY, IOWA 1 3/4% Bonds, Due 1945-49
† 3,000,000	CALIFORNIA, STATE OF, VETERAN'S WELFARE 2 3/4% Bonds, Due 1940-54	† 5,000,000	MISSISSIPPI, STATE OF 2 3/4% & 3% Bonds, Due 1955-59	* 120,000	PORTLAND, MAINE, CITY OF 2 1/4% Bonds, Due 1940-54
† 465,000	CAMBRIDGE, MASS., CITY OF 1 1/2% Bonds, Due 1940-49	* 370,000	MONMOUTH COUNTY, N. J., 2 1/2% Bonds, Due 1940-57	* 425,000	RINGGOLD COUNTY, IOWA 1 3/4% Bonds, Due 1948-49; Opt. 1944
* 200,000	CHICOPPEE, MASS., CITY OF 1 3/4% Bonds, Due 1940-59	† 1,500,000	MONTANA, STATE OF 1 3/4% Bonds, Due 1949; Opt. 1944	† 621,000	ST. LOUIS COUNTY, MINN. 1% Bonds, Due 1941-44
† 500,000	CRANSTON, R. I., CITY OF 2 1/2% Bonds, Due 1942-71	† 322,000	MONTGOMERY COUNTY, MD. 2 1/2% Bonds, Due 1943-64	† 275,000	ST. PAUL, MINN., CITY OF 1.70% Bonds, Due 1940-49
* 275,000	DANBURY, CONN., TOWN OF 1 1/2% Bonds, Due 1940-49	† 2,700,000	NASSAU COUNTY, N. Y., 2.20% Bonds, Due 1940-59	† 275,000	ST. PAUL, MINN., CITY OF 2% Bonds, Due 1940-49
† 3,999,000	DETROIT, MICH., CITY OF 3 3/4% & 4% Bonds, Due 1941-62	* 447,000	NEW BEDFORD, MASS., CITY OF 1 3/4% Bonds, Due 1940-49	* 252,000	SCOTT COUNTY, IOWA 2 1/4% Bonds, Due 1945-54
† 6,922,000	DETROIT, MICH., CITY OF 3 1/2% & 3 3/4% Bonds, Due 1940-62	* 229,000	NEW BEDFORD, MASS., CITY OF 2 1/2% Bonds, Due 1940-49	* 100,000	SOMERVILLE, MASS., CITY OF 1 3/4% Bonds, Due 1940-49
* 240,000	HAMMOND, IND., SANITARY DIST. 2 3/4% Bonds, Due 1941-70	† 3,686,020	NEW ORLEANS, LOUISIANA, CITY OF 2 3/4% & 3 1/4% Bonds, Due 1940-48, 51; Opt.	† 1,750,000	SOUTH CAROLINA, STATE OF 1 3/4% Certificates of Indebtedness, Due 1941-50
* 50,000	HAMMOND, IND., CITY OF 2% Bonds, Due 1945-54	† 916,000	NEW ROCHELLE, N. Y., CITY OF 1.90% Bonds, Due 1940-49	† 156,000	SPARTANBURG COUNTY, S. C. 2 3/4% Bonds, Due 1947-57
* 325,000	HEMPSTEAD, N. Y., TOWN OF U. F. S. D. No. 12 2.30% Bonds, Due 1940-69	35,000,000	NEW YORK, N. Y., CITY OF 2 3/4%-4% Bonds, Due 1940-79 2 3/4% Corporate Stock, Due 1969	* 100,000	STONINGTON, CONN., TOWN OF 1 3/4% Bonds, Due 1940-59
* 220,000	HENRICO COUNTY, VA., SANITARY DISTRICT No. 1 2.30% Bonds, Due 1941-63; Opt. 1949	30,000,000	NEW YORK, N. Y., CITY OF 2 1/2% & 3 1/4% Serial Bonds, Due 1940-69	† 690,000	SUFFOLK COUNTY, N. Y., 1.60% Bonds, Due 1940-53
* 22,496	HERKIMER, N. Y., VILLAGE OF 2.90% Bonds, Due 1940-44	30,800,000	NEW YORK, N. Y., CITY OF 3 1/4% Bonds, Due 1940-79 & 3% Corporate Stock, Due 1979	* 64,500	TAUNTON, MASS., CITY OF 2% Bonds, Due 1940-49
* 1,114,000	HUDSON COUNTY, N. J. 2 3/4% Bonds, Due 1940-59	35,700,000	NEW YORK, N. Y., CITY OF 2 1/2% & 3% Bonds, Due 1940-79	† 1,433,000	TENNESSEE, STATE OF 1 3/4% & 2 1/2% Bonds, Due 1950,55
* 250,000	INDIANAPOLIS, IND., CITY OF BOARD OF SCHOOL COMMISSIONERS 2 1/4% Bonds, Due 1941-61			† 660,000	TROY, N. Y., CITY OF 1.80% Bonds, Due 1940-69
* 68,000	ITHACA, N. Y., CITY OF 1.60% Bonds, Due 1940-52			* 227,000	UNION COUNTY, N. J. 2.10% Bonds, Due 1940-69
				* 56,000	VALLEY STREAM, N. Y., VILLAGE OF 1 1/2% Bonds, Due 1940-44
				* 57,000	WALLINGFORD, VT., TOWN OF 1 3/4% Bonds, Due 1940-51
				* 105,000	WALTHAM, MASS., CITY OF 2% Bonds, Due 1940-49
				* 120,000	WEST ALLIS, WIS. 2 3/4% Bonds, Due 1945-59
				† 500,000	WEST VIRGINIA, STATE OF 2 3/4% & 4% Bonds, Due 1940-64
				* 250,000	WILKES-BARRE, PA., CITY OF 2 1/4% Bonds, Due 1944-57
				* 130,000	WOODBURY COUNTY, IOWA 0.75% Bonds, Due 1940
				* 350,000	WRIGHT COUNTY, IOWA 1 1/4% Bonds, Due 1940-46
				† 1,075,000	YONKERS, N. Y., CITY OF 2.80% Bonds, Due 1940-59

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## Air Lines Turn Red Ink to Black

(Continued from page 19)

dures could be revamped to equal those of the larger companies. This operator had had a perfect safety record. A Civil Aeronautics Authority inspector pointed out certain improvements that might be made. At the request of the operator, the committee lent a helping hand.

Many persons are afraid to fly in winter or over the mountains. The committee, in its study of causes and remedies, found that, of the comparatively few accidents considering the miles flown in the past four years, only a half occurred in mountainous terrain and half in what might be termed bad weather. Further, not in all these cases were mountains or weather factors the cause of the accidents. In only one accident in the past four years was ice on the plane surface a contributory cause.

Steps must be taken to prevent failure of the human element both in the air and on the ground. This is accomplished by continual systematic checking, inspecting, drilling and training. The operations committee has worked hard on the subject of pilot training, and the elimination from flight duty of those who are unfit. In this they have had the collaboration of expert flight surgeons available to each of the air lines. Pilot training programs, data on which are exchanged through the committee, have been placed in effect by all air lines. Three means of training are used:

1. Extension courses, with classroom work at times and places convenient for the pilots.
2. Actual flight training and checking by chief pilots.
3. Simulated flight, in conjunction with simulated radio range and radio marker signals in the "link" trainers.

The written courses combined with classroom work include drilling in things to do and who does them; navigation and meteorology and most efficient throttle settings for best power and economy. In these courses, motion pictures are shown of aircraft in varying flight positions with silk streamers on the wings to depict air flow and its effect on flight. This is an example of industry-government collaboration. An air line provided the airplane and crew for this movie. The National Advisory Committee for Aeronautics at Langley Field supplied apparatus and the research brains. All air lines benefit.

Many of the improvements in airliners have been made possible by the research conducted by the National Advisory Committee for Aeronautics and by manufacturers of aeronautical equipment. The Civil Aeronautics Authority has a planning and development division which has done some worth-while experimentation and testing. This division coordinated, with manufacturers and air lines, the results accomplished on deciding apparatus. The division is now working on the instrument landing system on which air lines and manufacturers have already done considerable

work. This planning and development work goes beyond determining accident causes. Its purpose is accident prevention. The engineering and maintenance committee of the air transport association meets twice a year—progress is so rapid in this business that annual meetings are too far apart. The meetings are rotated among places where air lines have overhaul shops, so that the host air line can show methods and equipment.

Agendas are made up of problems submitted by committee members of which there is one to each air line. No more than two papers are read by experts on plans for the future. The rest of the three-day conferences are devoted to swapping experiences—how the specific problem of one air line has been licked by others.

### Exchange of technical data

THE Army, Navy, Civil Aeronautics Authority, National Advisory Committee and Bureau of Standards send their technical men to these conferences. Probably no industry exchanges technical data to the extent the air lines do. Like the operations committee, these men exchange memoranda between conferences. The Army and Navy are on the mailing list for these data and reciprocate by contributing their own. A subcommittee of engineers has in its membership air line chief engineers two of whom are well known test pilots. This group serves as the backbone for safety of the equipment itself and the men who work with it on the ground.

A meteorological committee made up of the chief weather men of all the air lines is headed by Ed Minser of Transcontinental and Western Air. A subcommittee of this group is used for liaison purposes between the air lines and the Weather Bureau. The committee of the whole has developed weather charts used not only by the air lines but by the Army and scientific schools.

Chairman Minser has issued a study, based on data the air lines submitted to the Weather Bureau, telling pilots what weather conditions to watch for to avoid lightning. J. J. George, the committee member representing Eastern Air Lines, has contributed some studies of fog conditions so that this former aviation bugaboo may be anticipated. The association has recently announced an annual cash award open to pilots, dispatchers and meteorologists for the best research leading to improvement in dispatching and weather forecasting.

These details may seem unimportant singly but each of them and many others are vital to the whole. Industry has led in doing the job; it knows that accidents are always looking for a place to happen. With constructive aid by government rather than tight regulation, everything humanly and scientifically possible is being done to keep air carrier operation from being a place toward which accidents are headed.



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# Government by Whim

By GEORGE MORRIS

**A** WORD has appeared in the daily press regularly during the past ten years—so often, in fact, that it has lost its meaning. The word is “uncertainty.”

“Business Uncertain.” “Uncertainty Rules the Markets,” and so on.

Uncertainty in life is both disturbing and deterring. The rumor of a bridge out, involving a detour of unknown distance, often causes postponement of a trip. A flurry in the style market disturbs the dealer about to stock his shelves. Even the hazards of weather have given rise to scores of forms of insurance policies covering everything from crops to shipping.

All these are hazards of nature and, through the years, business men have developed an “actuarial” mind so that they could evaluate approximately such risks and take them in their stride.

But, in the past ten years, a new hazard has appeared, a man-made governmental hazard. Doubly unfortunate it is that it comes at a time when the going is hard because of a depression, when normal uncertainties are accentuated.

The new uncertainty is a change from a government of laws to a government by men. The legal term is “administrative law,” a cold, technical term but one which, translated into cause and effect, is perhaps a greater hazard to the planning of a business undertaking than all others combined.

**“ADMINISTRATIVE LAW” is a cold, technical term but one which, translated into cause and effect, is the greatest hazard that business faces today**

The Lord Chief Justice of England calls it “The New Despotism,” and one of its manifestations is something new in this country, but very old in Europe: a fear of one’s own Government.

This country was built on confidence in government; confidence in government restraint of the illegal; confidence in government protection of the legitimate. That confidence has been succeeded by uncertainty.

The law today may be the whim of one man. Tomorrow the law may be

the whim of another man. Laws change with change in administrators. Sometimes a law is changed when an administrator changes his mind.

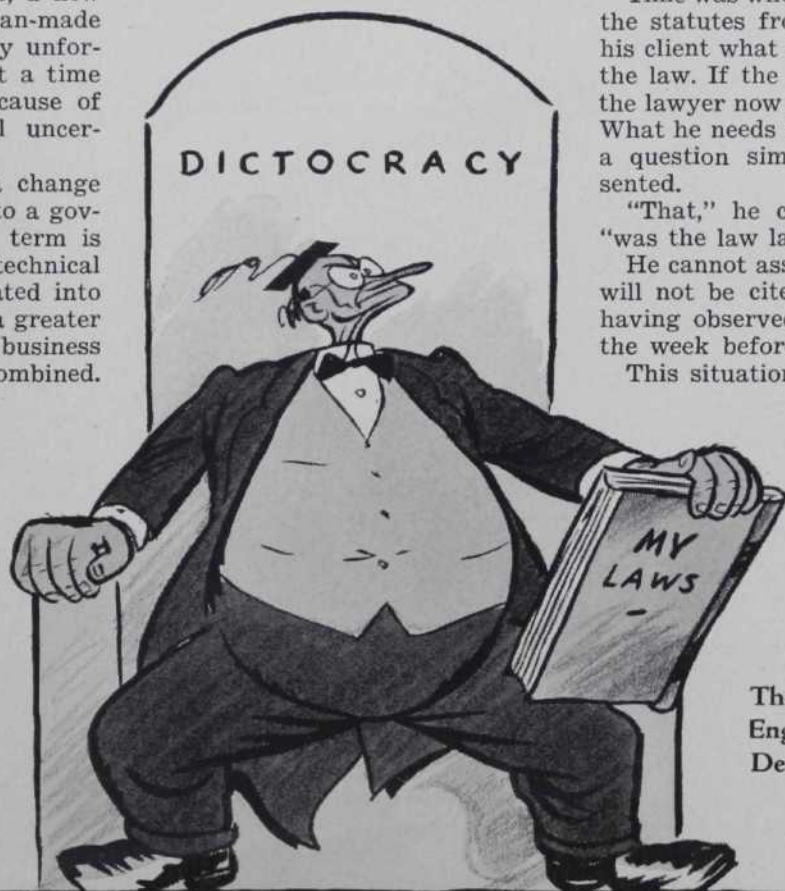
All laws affecting the success, if not the destiny, of business are not written in the statutes. Many of them are concealed in the brief cases of the dictocrats. The law regulating or controlling private enterprise is what men say it is. The law may be one thing for one group. It may be another thing for a different group.

Time was when a lawyer could take the statutes from the shelf and tell his client what his rights were under the law. If the client is an industry, the lawyer now does not need a book. What he needs is the latest ruling on a question similar to the one presented.

“That,” he can assure his client, “was the law last Thursday.”

He cannot assure the client that he will not be cited next Thursday for having observed the law proclaimed the week before.

This situation has come about be-



The Lord Chief Justice of England calls it “The New Despotism.”

Caplan



cause Congress has neglected to write specific provisions into the laws it enacts. Instead, it has turned this authority over to boards, bureaus and agencies which it creates. Appointed officials in those organizations then make their own regulations and interpret them as they please.

A score of such agencies are now operating in Washington, creating business uncertainty. A few examples of the uncertainty resulting from the activities of a single one of these agencies were revealed by the recent investigation of the National Labor Board by a congressional committee.

### Reward for help

HOW, for instance, is a business man to proceed in the face of a situation such as arose when a Wage-Hour Administrator ruled that \$200 a month employees came within the provisions of the law; afterwards ruled they were exempt and, finally, put them back again? After much searching of the statutes, the Administrator explained that he was rewarding a labor union, "because it has done such a swell job in helping me to fight my battles."

Under former congressional procedure, the law would have included or excluded \$200 a month employees. Argument could also be advanced in favor of denying a dictator the right to interpret a law for a pay-off.

The administration of the National Labor Relations Board reveals a case of congressional dereliction. In a recent decision, the Supreme Court upheld the Board's right to deprive workers of an opportunity to obtain bargaining representatives of their own choice.

"It seems to be thought," the decision said, "that this failure to provide for a court review is productive of peculiar hardships . . . but these are arguments to be addressed to Congress and not the courts."

Discussing the decision, the *Baltimore Sun* says:

We now know, on the highest authority, that the Labor Board, instead of grasping for illegal powers, has, in fact, been operating within the language of the loosely drawn and, in some respects, obnoxious enactment committed to it by Congress. We know that Congress and the Administration intended this law to be a threat to employers and a source of power to the labor unions. We know that, if the Labor Board has appeared to favor the C.I.O. over the A.F.L. and independent unions, it had the power, under the law, to make such a choice.

Even admitting that the law was intended "to be a threat to employers and a source of power to labor unions," the Congress could not have anticipated many of the things the Board has done. Congress assuredly did not dream, in enacting an admin-

istrative law and creating the Board that the Board in turn would delegate such power to its secretary as to warrant him in boasting that "no employer has a chance before me or the Board."

The House committee revealed that one member of the Board said of this secretary, "I think it is time we looked around for a secretary who understands the administrative duties of the job and sticks to them."

The provocation for the observation was discovery of discrepancies in a memorandum, on which the Board would reach a decision. Examination of the record by this same minority member led him to note that "the case smelled." The investigation revealed the procedure of the Board: The Board decides a case according to the facts. The secretary prepares the "facts."

Further enlightenment is provided on what an employer may expect at the hands of the Board:

A Regional Director, in cooperation with a labor union, tried to make a case of unfair labor practices against the Aaronsson Printing Co., of Detroit. The Regional Director wrote, "This is a weak case and we are trying to break down Aaronsson rather than go to a hearing."

If the Board has no case and a capable secretary is unable to manufacture one, the alternative is to give the employer the third degree, break him down and compel him to admit guilt.

Then there was the episode of a telephone conversation. The Board made a decision which was not altogether agreeable to David Dubinsky, President of the International Ladies Garment Workers Union. Mr. Dubinsky was reported to have telephoned the Board and said, "That isn't what we pay our money for."

### No check on bribe hint

EVIDENTLY the Investigating Committee attached some importance to Mr. Dubinsky's jocular remark.

"I wanted to ask Dr. Leiserson," (Board Member witness) inquired the committee chairman, "if the Board made any investigation, after that telephone conversation, to see who, if anybody, connected with your Board was in the pay of Mr. Dubinsky?"

Dr. Leiserson said he did not think so.

Nor will the state of uncertainty in the business mind be relieved by disclosure of the activity of a Board member in connection with labor troubles in a Pennsylvania industry. The industry employs 6,000 workers. Two hundred went on a strike. Pickets milled about the place. Workers refused to affiliate with a union other than the one to which they belonged.

The head of the union had an inspiration. He learned that one of the industry's largest customers was a Boston department store. He wrote a letter to a member of the Labor Board, citing the union's grievances against the industry. He intimated that the Boston store might be interested. The Board member transmitted the letter as suggested.

A reasonable interpretation is that the member of the Labor Board encouraged a boycott of an industry which refused to compel its employees to affiliate with a union. On the other hand, the Board consistently refuses employees the right to vote on the question of affiliating with company unions on the ground that they are company dominated.

The apprehension which a merchant might feel in such a situation is apparent. Reading between the lines of a letter from a member of the Labor Board, it would not be difficult for the merchant to decide that it would be to his interest to notify the industry that he would buy no more goods from them until the labor trouble was settled. With the record before him, he might reasonably conclude that refusal to follow implied directions would mean labor troubles for himself. Storekeepers do not relish the idea of pickets obstructing their doors with placards describing them as unfair to organized labor. Some might conclude from this incident that the Labor Board has added to administrative law-making, a special course in intimidation.

### Bureaus with czar-like powers

WHEN Congress adopted the expedient of delegating power to executive boards, bureaus, authorities, commissions and federal corporations, it left to them the definition of rules, their application, their infringement and the degree of punishment. It left to them, often without court appeal, the prosecution of citizens, the question of intent, the judging of those citizens and the fixing of fine or imprisonment by the same personnel. This brought about the uncertainty which the press reports almost daily as preventing business expansion.

No one recalls when managers, actual and prospective, men who dare to risk upon a business venture their energies and savings—and other peoples' savings—have been so bewildered as to the road ahead. Undoubtedly this is largely due to lack of a legislative chart, prepared by Congress.

The uniformity of bureau operations, all tending in the same direction, may not be passed over on the ground of inexperience and ignorance. The viciousness suggests that the



operation is not devoid of purpose. The dictocrats call it planned economy. In Russia they call it the five-year plan. In Germany it is the four-year plan.

The new order admittedly is fairly well established when a Manchester, N.H., mill is compelled to put on the pay roll, with two years' back pay, two men whom it declined to employ two years ago. Industry cannot feel otherwise than insecure and uncertain when a flour mill operator, whose mill burned two years ago while he was negotiating with labor, is informed that he owes employees two years' back pay.

A Johnson City, Tenn., chair factory failed in 1932, was reorganized in 1935 to provide jobs for 350 workers. In 1937 a union organizer appeared and announced that he was the exclusive bargaining agent for the workers. The manager asked to see his authority. The organizer departed and filed charges with the Labor Board alleging unfair labor practices. The Board sustained the charges.

Passing on the Board's findings, the Court of Appeals said they "not only fly in the face of evidence produced by the respondent through witnesses whose credibility is not impeached, but are in direct conflict with the evidence of its own witnesses."

The Board, said the Court, is not bound strictly by technical rules of evidence, "But we do not understand that this is a *caveat* to arbitrarily substitute surmise, suspicion and guess for proof." And that situation will continue until Congress comes to recognize the viciousness of administrative laws and returns to the ancient practice of governing the country through legislation.

Five amendments to the Wagner Act have been proposed to break the Board's strangle hold:

1. Separation of the Board's judicial and prosecuting functions.
2. Provisions affecting the Board's powers to determine collective bargaining units.
3. A clause preventing the Board from certifying one union as representative of several industrial plants or units without the consent of all the units involved.
4. Tightening of the rules of evidence applicable to board hearings.
5. A provision permitting employers to discuss labor matters with their employees—a practice from which they are now barred.

No dictator was elected by the people to govern them or make their laws. Not only were they not elected but they could not be elected to any office within the gift of the people. Universally mistrusted, they yet arrogate to themselves, with the consent of Congress, authority to write the laws, control the fields and factories, and rule over the destiny of 130,000,000 people.

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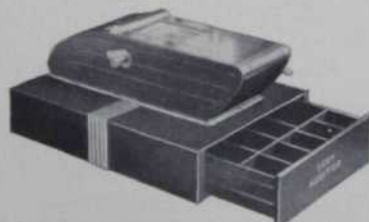
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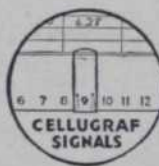
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## The Plight of the Medium-Size Business

(Continued from page 28)

as far as financing business is concerned but they blend together. These two problems visualize:

1. The need for an organized market to provide intermediate financing, not short-term financing for three to six months for seasonal operations, but long-term financing for two to 20 years.
2. Permanent equity financing to develop profitable growing corporations in expanding industries.

These are the definite, positive needs to assist in solving many of our economic ills and they are needed, not for small business or big business, but for the enterprises sandwiched between these two groups and with tangible net worths between \$10,000 and \$500,000.

### The problem of financing

WHEN we come to the problems of raising long-term money and permanent capital by issuing securities, we arrive at the crux of our economic dilemma, at the actual needs of business enterprises which, in turn, is the crucial point in our entire commercial and industrial system. The financing of successful intermediate-size corporations has largely dried up.

There are 8,000,000 unemployed in the United States. There are only two ways to get jobs for them; either the Government must give them jobs or private industry must do so.

For private industry to provide jobs,

the flow of investment money into business must be increased.

The larger, well known, national corporations that have profits ranging upwards from \$200,000 a year have an organized market in normal times for raising funds by selling securities. The intermediate-size corporations, however, have no organized money market and have never had one.

Concerns that have a tangible net worth between \$10,000 and \$500,000 have obtained funds in the past largely from wealthy individuals and from affiliated concerns.

There is every indication, however, that wealthy individuals have been investing a steadily decreasing proportion of their funds in business enterprises of this character with the income tax rates where they stand today in the higher brackets, and with the opportunity of investing in tax exempt securities.

I have just said that there has never been an organized financing market to raise funds for concerns in this group. This is absolutely so, but there has always existed the chance that there would be some local public distribution of securities by concerns of this size. Where that has taken place, from time to time, the cost of raising funds has been high and often, after the security issue has been offered to the public, it has been only partially sold.

A recent study shows the cost of raising money in 1937 by 118 industrial corporations for which comparable data was



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available to the Securities and Exchange Commission.

In this tabulation, mining corporations were omitted, as the cost of raising capital has been much heavier for these enterprises than for typical industrial corporations. Retail corporations have also been omitted as information on only 19 corporations in this category was available and, when that number was broken down into size categories, there were too few to give reliable information. No similar studies have been made covering 1938 or 1939 security registrations.

### Where financing is expensive

IT IS evident from this study that intermediate-size corporations selling bond issues of less than \$250,000 had to pay \$9.10 on the average for each \$100 bond sold; \$18.10 for each \$100 of preferred stock and \$18.10 for each \$100 common stock.

In contrast, we find that large corporations—not the biggest—which sold issues ranging in size from \$1,000,000 to \$5,000,000 paid \$5.60 for each \$100 of preferred stock and \$14 for each \$100 of common stock.

Where less than \$1,000,000 was raised by an issue of securities, the costs were materially higher than where more than \$1,000,000 was raised. Even in those few instances where intermediate-size corporations have raised long-term money or permanent capital from the public, the costs have been heavy.

Moreover, a study released by the Research and Statistics Section of the Trading and Exchange Division of the Securities and Exchange Commission last June indicated the extreme difficulty of smaller unseasoned issuers in marketing securities even with these heavier costs.

The study covered 584 issuers of this type that had registered \$321,000,000 of securities between July 7, 1933 and June 30, 1937. The conclusions were:

1. These issuers succeeded in selling only 23 per cent of the securities registered within a year from the date the registration became effective.
2. About one-third of these 584 issuers did not attempt to or did not succeed in selling any part of the securities registered. The remaining 393 issuers reported sales equivalent to only 34 per cent of the amount registered.
3. Going concerns were considerably more successful in selling their securities than were new ventures. Of the 393 issuers reporting any sales at all, the going concerns sold 44 per cent of the amount registered while the new ventures sold only 27 per cent.
4. Success or failure of these smaller issues was evidently determined within a relatively short period after registration. About 71 per cent of the reported sales were made within three months after registration.

So, under the existing set-up of our economic structure, we find no organized facilities to provide long-term money or permanent capital to intermediate-size concerns.

Here is our outstanding fundamental American problem, our economic vacuum, and it is growing bigger and more important day by day.



"I'M tired of these endless inventory losses. It's plain enough that there's a lot of expensive thievery going on around this plant. Trouble is, we actually invite trespassers. What's to prevent any one from coming into our place whether he has any business here or not? That's the thing we need to correct."



"That's right, Mr. Wilson. Look at the fence around that plant next door. That's what we need. They never have the trouble we do. Nobody's going to get over that barbed wire top and get away with anything. The Cyclone Fence people built it for them years ago and it looks as strong as ever. Why not ask Cyclone to figure on our needs. Their ads say that it won't cost anything to get an estimate."

"Mail this coupon for me, Miss Roberts. We'll see what Cyclone has to offer. They sell more fence than anybody else, so they ought to have just what we want."



CYCLONE FENCE Co., Dept. 520  
Waukegan, Ill.

Please mail me, without obligation, copy of "Your Fence—How to Choose It—How to Use It." I am interested in fencing: ☐ Industrial Property; ☐ Playground; ☐ Residence; ☐ Estate; ☐ School. Approximately.....feet.

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City.....

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**Book on Fence**

All the facts you want to know about fence. 14 kinds illustrated. This book will help you choose the right fence for your property—business, school or home. Whether you need just a few feet of fence or miles of it, buy no fence until you see what Cyclone has to offer. Mail the coupon, today.



# CYCLONE FENCE

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Branches in Principal Cities

Standard Fence Company, Oakland, Calif., Pacific Coast Division  
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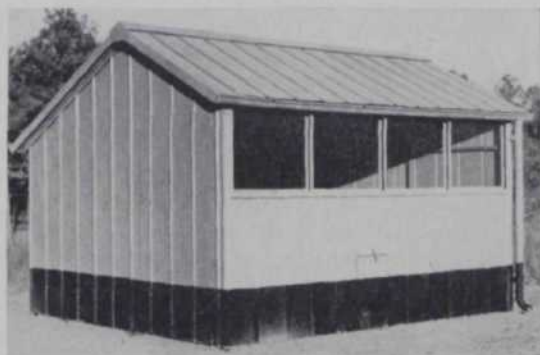
## UNITED STATES STEEL



# Farm Homes of Steel



This five-room steel dwelling with hardwood floors is on trial as an aid in helping to solve the farm tenant housing problem



This \$160 steel poultry house accommodates 50 fowls. Steel wire mesh provides light and air



The family living in this ramshackle house moved across road to steel home shown at left



The barn is 14 feet high, built on 37 steel piers, with stalls, loft, corn crib and wagon shed

**S**TEEL—symbol of guns and shells and ships; of rails and girders and heavy machinery—is finding new usefulness in permanent, attractive farm homes.

In Alabama, Georgia, South Carolina and Florida, new steel buildings are springing up where ramshackle old structures stood before; replacing the ugly, drafty shacks that have freckled the countryside for many generations.

The dwellings are of no particular style, though they may be said to lean toward the semi-colonial. The average five-room bungalow is one story, and measures 24 by 36 feet. The parlor or living room is flanked by two bedrooms across the front of the house, with a third bedroom in the rear. Each room has a closet. The combination dining room and kitchen measures ten by 21 feet.

Wall sections are fabricated into panels of four-foot widths and heights up to 12 feet. Steel frames are made of cold formed channels and angles with connections spot welded. Interchangeable wall panels are made solid, with doors, windows and other openings screened. Steel sashes are used and these are welded to the panel frames.

All interior walls and ceilings are finished with one-half inch or thicker insula-

tion board to serve as wall surface and insulation. Walls and ceilings are painted, plastered or left natural, to suit the owner's taste.

Wooden doors of standard size and design generally are used, set in wooden frames for interior doors and into steel casings for exterior openings.

All outside walls and the roof are covered with a coat of fine white sand, applied over a wet second coat of paint. Engineers of the manufacturing company say this provides a protective covering that will last for many years.

Also, it is claimed, the sand actually makes the building cooler and the paint coat last longer because the particles of sand reflect the sun's rays.

The steel piers on which the buildings rest may be set in concrete, to give added anchorage, but this is not considered necessary since the broad footings welded to the base of the piers provide anchorage which engineers say will resist an 85-mile-an-hour wind.

The barn is built in two sizes. The most common measures 20 by 32 feet and is 14 feet high. It is built on 37 steel piers and has a hayloft. Space is provided in it for mule and cow stalls, a corn crib, imple-

ment storage space and for a wagon shed.

The poultry house accommodates 50 fowls. Steel wire mesh in front provides light and ventilation. A ramp allows fowls to enter and leave, while a door facilitates cleaning and gathering the eggs.

The smokehouse is eight by 12 feet, with an overhanging roof on one side to provide shelter for wash tubs or a work bench.

The manufacturer claims the entire unit of five buildings can be erected without the use of skilled labor or special equipment. Complete units have been erected, ready for occupancy, within three weeks.

The steel dwellings range in price from \$1,695 to \$1,904, depending upon number of rooms; porch, steel blinds, awnings and other extras.

The barn costs \$688 to \$900; poultry house \$154 to \$167; smokehouse \$133 to \$142, and sanitary privy \$53 to \$58.

The steel houses are crated at the factory and may be shipped anywhere, like refrigerators or automobiles.

The Tennessee Coal, Iron & Railroad Co., a U. S. Steel subsidiary, built the steel housing units in its fabricating plant at Fairfield, Ala., after research and experiments lasting two years, both in the laboratory and afield.

—WILLIAM BENNETT



## Hospitals Offer Opportunity

(Continued from page 25)

we have been saving for his wife?"

After 15 minutes' frantic search, the doctor assembled a collection of vital organs from various sources, and brought them to the widow, who studied them long and earnestly. At last she sighed and said, "I still can't understand."

"Can't understand what?" queried the superintendent.

"How such a good man as my husband died so young!"

While the supervision both of students and teaching staff is handled by the Dean and other administrative officers of the medical schools, the hospital superintendent must tie in their activities with his institution. He must provide classrooms, amphitheatres, and research facilities. He must look to their discipline, provide them with meals, and stagger their hours of hospital attendance so that they will not interfere with the daily routine of the institution. He may, in many cases, "sit in" on appointments to the university faculty, especially if the faculty is recruited from his hospital staff.

Another administrative function tending to give a superintendent early gray hair is the nurses' training school.

While these schools are presided over by a superintendent of nurses, the hospital administrator must provide for the maintenance of the school in his budget, guide the morals and morale of the students, and fit their activities into the smooth operation of the hospital staff.

The university functions of a hospital do not weigh on an administrator as heavily as his housekeeping functions. Few people realize the size and complexity of hospital management. Doctors and nurses, numerically speaking, constitute the smaller part of the staff. Hospital statistics show an average of one employee or more for each patient. Hospitals are self-contained communities. Their laundries do the wash of a good sized town every day, thousands of pieces of bedding, uniforms and table linen. They have power plants, providing electricity, heat, steam, and ice, and the capacity of these plants exceeds that required for the population of a small city. They have motion picture theaters, gift shops, tea rooms, libraries.

Some country hospitals even grow a part of their own food supply and keep their own cows. The hospital hierarchy includes almost every conceivable type of occupation and profession. The purchasing department buys more than 15,000 items annually, ranging from babies' bibs, white mice, custard cups, and surgical needles to 400,000 quarts of milk and 1,000,000 eggs. Leaving aside the hundreds of rooms and dozens of laboratories, there are more than six miles of corridors to be cleaned daily.

In Kings County Hospital (one of New York's large municipal institutions) the kitchens prepared and served 5,082,151 meals in one year; the bakery shop pro-

duced 973,393 pounds of bread and rolls and the butcher shop handled more than 1,000,000 pounds of meat; \$4,210,024 was spent for maintenance; \$1,521,712 for supplies and equipment; \$2,697,312 for salaries to 2,968 employees. The hospital pharmacy compounded a total of 516,709 prescriptions and the hospital blood bank enabled 2,415 transfusions to be given. Big business!

### Diets are a special problem

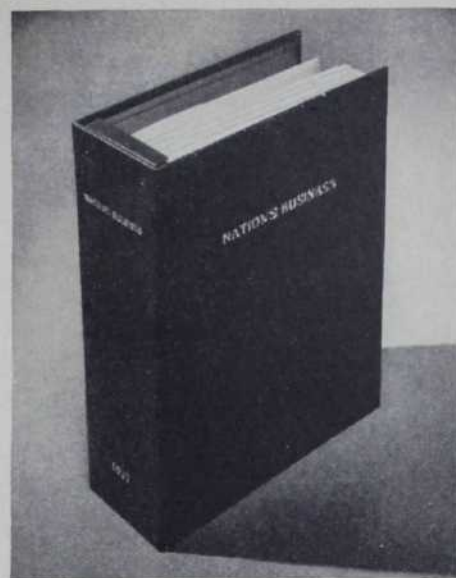
BUT don't get the idea that immense daily economies can be realized by cooking food by the ton and serving it on steam shovels. Every hospital faces the problem of special diets, which often calls for expensive or out of season foods. In one hospital, for example, a staff of dietitians supervises more than 200 special diets for each meal.

Then there is the human equation. Although the quality of hospital fare is surprisingly high, there are always kickers, such as the patient who complained bitterly to the superintendent he had been served with chicken twice a week for a month and the nurses had persistently refused to give him all white meat. He didn't like dark meat and would go on a hunger strike if he received any of it in the future. The superintendent, checking on his record, found he had been on relief for five years before entering the hospital and that the Social Service Division had sent more than \$100 to his destitute family.

The pharmacy can be another trouble spot. Doctors are often eager to experiment with new and expensive drugs. They write prescriptions not in the formulary, and the head of the pharmacy notifies the chief executive's office that Dr. Smith has put in a prescription costing \$7. Then the superintendent asks Dr. Smith if something less expensive will not serve. Ordinarily the doctors cooperate, but occasionally there is friction.

Lawsuits are another administrative expense—not that hospitals often lose them, but because of the cost of insurance. A patient, who has received valuable free treatments from the clinic, slips as he is going down the steps outside and sues the hospital for neglect. People sue for burns, wrong diagnosis, autopsies without permission, because they felt worse after treatment, because they received wrong treatment—the list is endless. Most hospitals carry insurance for both malpractice and liability, and the premiums are heavy. One average sized hospital reports a malpractice insurance premium in the past five years of \$15,000 of which only \$600 was paid out in claims. The same hospital paid \$10,000 in liability premiums, with small losses recorded. And yet the hospital fears to drop the insurance. Even where suits are few and the hospital wins, there are always a loss of time and unfortunate publicity.

The administrator's hardest personal



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problems, however, grow from the daily round of human contacts. Public nuisance number one is visitors. All hospitals have visiting hours, but they exist only to be broken. One administrator complained:

"I have never yet seen a visitor who hadn't just arrived from out of town on a train, or had a train to catch out of town and, if I enforced the rules, his trip would have been in vain."

Another says, "The visitors are often sicker than the patients (emotionally at least) and need more attention." The anxiety over loved ones leads them to pathetic extremes. One hospital reported a mother who had succeeded in stowing herself away for 15 consecutive days and nights before she was discovered. Another tells of a wife who for months has paced the street opposite the window by her husband's bed.

### Visitors disregard rules

VISITORS are likely to smuggle in food forbidden to patients on a diet and, on occasion, even liquor. One story records a disturbance in the ward of a large hospital, where the nurses complained of a disagreeable odor. It grew worse and worse, and no one could track it down. Doctors, orderlies, even the hospital engineer prowled the ward and speculated on everything from a broken gas main to a dead rat between the walls. In desperation the administrator finally ordered the ward evacuated and fumigated. As the beds were being rolled out, the mystery was solved.

A stomach ulcer case, on a strict diet, had been pining for his favorite delicacy, and a friend smuggled it in. Just as he was about to eat, the ward nurse came down the aisle and the friend shoved the forbidden dainties underneath the mattress. Subsequently the patient lacked the strength to pull them out or the nerve to confess. But the hospital authorities

discovered underneath his mattress the remnants of half a dozen kippered herrings.

Another administrative headache is the information service. A wife telephones about her husband. To answer her questions, Information must call the ward nurse away from other patients, while she finds the man's chart and answers "he's about the same as yesterday."

"When are you going to operate," the wife demands. Another call to the ward nurse. She doesn't know. Then Information calls the Resident Surgeon. Perhaps it takes some time to locate him. By now the wife in her anxiety has overestimated her wait and complains bitterly that her time has been wasted. Then more people are diverted to pacify her.

Last but decidedly not least among the "behind the scenes" workers are the social service staff. Their duties are multitudinous; they are the patients' link with the outside world, and they take up the slack in his life before his entrance and after his discharge. Sometimes they help a patient's family make the inevitable financial readjustments when the breadwinner is stricken; at other times they check on the family resources to find out how much, if anything, the patient can pay. While he is in the institution they keep a weather eye on his family; perhaps the children need clothes or dental care. After the patient is cured, there is a period of convalescence and readjustment.

In another way, social service workers stand between the patient and the medical staff. If a patient has a justifiable complaint, they press for a settlement before the proper authorities. Sometimes doctors resent them, particularly when a patient has been pronounced cured and the medical staff wants the bed for another patient. This is not selfishness; the free wards of most institutions are filled beyond capacity. Then the social service

### When government destroys itself



**Col. Robert A. Roos**  
President of Roos Brothers,  
California

"When any government frustrates the honest efforts of those constituted by their special skill to bring about a more efficient method of carrying out this business of exchanging the necessities of existence... that government is working against itself and its people."



worker may go to the mat, and win a reprieve.

In the last analysis, the fate of the voluntary hospital may stand or fall upon the ability of its administrator. For the hospital superintendent is a salesman! He sells the public shelter, food, and medical care. He sells the doctors laboratory and research facilities, well equipped operating rooms, and satisfactory treatment for their patients.

If the administrator's salesmanship is unsatisfactory, his hospital goes to the dogs. Even within the past few years, one of the country's best known hospitals nearly closed its doors. It had two unsatisfactory administrators in succession. Then the trustees called in a new administrator, and within two years they were putting a surplus aside.

Hospital administration is one of the few fields not now overcrowded. According to the 1938 report of the American Medical Association, there were 6,128 registered hospitals in the United States with 1,124,548 beds and 55,566 bassinets. Figuring an average of one employee per bed, we find room in the profession for 1,180,114 employees. Certainly this would entitle "hospital business" to rank as an important industry.

### Training for hospitals

SOME universities are beginning to offer courses in hospital administration; the University of Chicago, for example, now has a three year course, open either to doctors or qualified laymen. But many executives, without disparaging the value of the course, feel that "you can't learn administration out of books," and that direct training in an institution is of more value.

The hospital field offers career possibilities to both men and women. Thousands who lack the inclination, the talent, the time or money to become members of the medical profession, are by temperament and training qualified to become affiliated with some branch of the work. Various types of positions in the nursing field, in dietetics, in the laboratory, and in social service, as well as administrative direction of smaller hospitals, are open to women. By men, hospital work should be viewed as one of the vital industries. There is hardly a trade or profession that does not fit into this picture at some point; scarcely any type of background that will not benefit the applicant in some field of hospital work.

Although the salaries for certain unskilled and semi-skilled types of hospital work are lamentably low, executive salaries on the whole are adequate. The superintendent of a modest hospital in a suburban town or smaller city may realize \$5,000 yearly. Some of the "plums" in the big cities may go to \$15,000 and higher, if the various emoluments are figured. A position of this kind often includes living quarters, an apartment or home for a married man, food, laundry—in fact everything but clothes. Salaries, however, have never been the major objective of the really successful executives in the field. To them, the profession offers an unexcelled opportunity for scientific work devoted to relieving the sufferings of mankind.

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**Radio Corporation of America**  
RADIO CITY, NEW YORK

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# ALCOA · ALUMINUM





ACTUAL COLOR PHOTOGRAPH — Bennett Partin, North Carolina tobacco farmer, shows flowering tobacco plant—from which seeds are obtained. U. S. Government methods of raising tobacco are used on Mr. Partin's farm. Below: Mr. M. J. Moye in action.



# "UNCLE SAM LENT A HAND

## making tobacco better-than-ever

and Luckies have bought the cream of these better-than-ever crops," says M. J. Moye, warehouseman for 18 years

**SMOKER:** "How did Uncle Sam lend a hand?"

**MR. MOYE:** "The U. S. Government Experiment Stations showed farmers new methods of growing tobacco."

**SMOKER:** "And that's why you say crops have improved in recent years?"

**MR. MOYE:** "Yes. Even though crops do vary with weather—tobacco today is better than ever."

**SMOKER:** "Does the tobacco that goes into Luckies come from these improved crops?"

**MR. MOYE:** "Yes, sir. Luckies always have bought the finer tobacco sold on my warehouse floor. That's the reason I've smoked them myself for years. And it's also the reason why Luckies are the 2-to-1 favorite of independent tobacco men—buyers, auctioneers and warehousemen."

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**LUCKY**  
lately?